CODAN

CODAN FORSIKRING A/S

ANNUAL REPORT

1 January – 31 December 2016

Gammel Kongevej 60
1850 Frederiksberg C
Company Reg. No. 10 52 96 38

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General information

Board of Directors and Board of Management	**Board of Directors:** Lars Nørby Johansen, Chairman Anthony Latham, Deputy Chairman Scott Egan Gunilla Astrid Henriette Asker Christer Arne Bjellert* Marianne Philip Elisabeth Sandblom* Christian Sletten* *) Employee representative **Board of Management:** Patrick Bergander, CEO Vivian Lund, EO
Auditors	**Auditors elected by the general meeting:** KPMG, Statsautoriseret Revisionspartnerselskab
Ownership	Codan A/S, Frederiksberg, owns all of the shares in Codan Forsikring A/S
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Management's review

Financial review

The company's Business model
Codan Forsikring A/S ('Codan Forsikring') is a part of the Codan Group, one of the largest non-life insurance providers in Scandinavia. We work closely together with our branches in Scandinavia and share certain resources, services, knowledge and best practice within all parts of the insurance business to ensure an optimal and efficient administration. We conduct a non-life insurance business in Norway through our Norwegian branch and in Sweden via our Swedish branch, and compete with other non-life general insurance companies in this market. The Codan Group is owned by RSA Insurance Group plc, one of the world's leading insurance groups with the benefits that naturally follow.

Annual report for 2016
Codan Forsikring is a subsidiary of Codan A/S whose ultimate parent company is RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Forsikring Group, which comprise the insurance companies Codan Forsikring A/S, Forsikringsselskabet Privatsikring A/S, Holmia Livförsäkring AB and the non-regulated entities Besigtelseskontoret af 1914 A/S and Survey Association Pte. Ltd.

The financial statements for 2016 of Codan Forsikring A/S has been prepared in accordance with the Danish Financial Business Act (Lov om finansiel virksomhed), including the Danish Financial Supervisory Authority's Executive Orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds) (Bekendtgørelse om finansielle rapporter for forsikringsselskaber og tværgående pensionskasser).

Codan Forsikring has in 2016 implemented the new Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (*Bekendtgørelse om finansielle rapporter for forsikringsselskaber og tværgående pensionskasser*). The new rules have had a negative impact on Codan Forsikring's equity with DKK 1,265 million. The accounting policies are described further in Note 1 to the annual report.

A five-year summary of key figures and financial ratios is provided in Note 3 to the annual report.

Major events
New CFO
In September 2016 Johan Roos joined the Company as Codan Group CFO.

New member of board of management
In May 2016 Vivian Lund was appointed as member of Board of Management. She succeeds the former CFO, Stig Pastwa.

New members of Board of Directors
In February 2016 Derek Martin Walsh left the Board of Directors. Following the annual general meeting in April 2016 Scott Egan joined the Board of Directors. He succeeds Gavin Leslie Wilkinson. In September 2016 Gunilla Astrid Henriette Asker joined the Board of Directors.

Dividend in 2016
In the first half of 2016, Codan Forsikring A/S paid DKK 1,600 million in interim dividends to its parent company Codan A/S. Furthermore, an interim dividend of DKK 1,000 million was paid to Codan A/S in November 2016.

Transfer of Loss of Earning Capacity portfolio
Codan Forsikring has transferred the Loss of Earning Capacity portfolio to SEB as originally agreed in 2005. The Danish Financial Supervisory Authority has approved the transfer of the portfolio. The transfer has not had significantly impact on Codan Forsikring's profit in 2016.

Commutation of Quota Share reinsurance programme with RSA Reinsurance UK
Durring 2016 the remaining claims year of the Quota Share reinsurance programme with RSA Reinsurance UK was commuted. The programme has not been renewed since 2013 and the commuted claims years included 2012 and 2013.

Management's review

Extension of Marine reinsurance
From 1 January 2016 Codan Forsikring has entered a new reinsurance contract with Royal & Sun Alliance Insurance plc. The reinsurance contract is a quota share agreement, which covers 100% of Codan Forsirkring's exposure towards the Marine portfolio for damage related to insurance contracts written in 2016. Hence, claims occurring in 2016 related to an insurance contract written in 2015 or before is not covered by the reinsurance contract. The contract is agreed on market terms and Codan Forsikring receives commission.

Dissolution of Equalisation Reserve
As a consequence of Solvency II coming into force 1 January 2016, the Danish FSA has dissolved the executive order that govern the Equalisation Reserve. The reserve amounted to DKK 59 million at 31 December 2015 and was transferred to Retained Earnings in 2016.

Solvency II
As of 1 January 2016 Solvency II regulation, a set of EU rules, came into force for insurance companies. The former Danish individual solvency rules are in many respects an early implementation of a Solvency II like regime. The Codan Group has since 2009 prepared for Solvency II in a project coordinated with the RSA Group.

In December 2015, Codan Forsikring, as part of the RSA Group, received approval to use an internal model to calculate the solvency capital requirement (SCR) as of 1 January 2016. In addition to the SCR, Codan Forsikring will also calculate the minimum capital requirement (MCR) as of 1 January 2016. Companies must hold eligible own funds to cover the MCR in order to ensure ongoing authorisation.

The individual solvency requirement (former Danish regulation) and the solvency capital requirement (Solvency II regulation) are both calculated with the Internal Model. Please refer to section "Capital Structure" on page 17 for a review of the Internal Model.

The capital available, i.e. the eligible own funds to cover the capital requirement, and the SCR has increased with Solvency II. Codan Forsikring's eligible own funds amounted to DKK 8,714 million at 31 December 2016 (DKK 9,149 million at 1 January 2016) and the SCR of Codan Forsikring was DKK 4,059 million (DKK 4,319 million at 1 January 2016).

Profit for the year and development of the company
The profit for Codan Forsikring for 2016 was DKK 2,278 million against a profit of DKK 412 million for 2015. Profit for the year breaks down as follows (all amounts in DKK million):

	2016	2015
Balance on the technical account	2,167.2	464.3
Investment result	770.5	106.7
Other income and expenses	-	-64.6
Tax	-660.0	-94.9
Profit for the year	**2,277.7**	**411.5**

The profit for the year is as expected and delivers on the company's objective of improving the underlying results. The profit is affected by run-off gains and reduced expenses, leaving the company's combined ratio at 86.1% against 95.0% in 2015, which is well below the expected combined ratio in the low 90's.

Based on the profit for the year, foreign currency translation and the payment of dividend in 2016 of DKK 2,600 million the company's equity decreased DKK 563 million from DKK 9,354 million at 31 December 2015 to DKK 8,791 million at 31 December 2015.

Insurance result
Earned premiums
Gross earned premiums (gross premiums written less change in premium provision and change in profit margin and risk margin) showed a decrease of 1.6% from DKK 15,924 million in 2015 to DKK 15,673 million in 2016.

Management's review

The decrease is primarily caused by decreasing premiums in Norway due to loss of a large affinity partner within the motor segment and declining exchange rates in Sweden and Norway compared to last year. The Swedish branch shows growth measured in SEK.

The Swedish branch shows a 1.8% growth in SEK. In DKK the branch has taken exchange rate hits and shows a growth in premiums of 0.3%. The Commercial portfolio has a small overall growth in premiums, which comes from growth in motor and care partly offset by a decline in property. The Personal portfolio has a small overall decline, which comprises a decline in motor partly offset by a growth within House & Contents.

In Denmark Personal portfolio premiums declined due to the portfolio still being impacted from our previously implemented profitability actions. Speciality travel shows a growth which has been offset by declines in all other personal lines. The Commercial portfolio also showed declining earned premiums, but with a material growth in technical lines. All other commercial lines shows declines in earned premiums.

Overall earned premiums, net of reinsurance, declined by DKK 365 million from DKK 15,433 million to DKK 15,068 million, a decrease of approx. 2%.

Claims incurred
Gross claims incurred amounted to DKK 9,958 million in 2016 against DKK 10,942 million in 2015, corresponding to a decrease of DKK 984 million. The positive development with declining gross claims incurred and claims ratios is seen in both the Personal portfolio as well as in the Commercial portfolio.

Gross claims incurred were impacted by run-off gains totalling DKK 1,017 million against a DKK 549 million gain in 2015.

The gross claims ratio was 63.9% in 2016 as compared with 71.3% in 2015. The ratio is materially affected by the large run-off gains in 2016.

The net run-off gain amounted to DKK 987 million against a DKK 378 million gain in 2015. The run-off gain in 2016 mainly relates primarily to the Danish portfolio where personal lines motor and commercial lines, excluding workers compensation, had significant positive run off. The Swedish business overall saw slightly unfavorable run off driven by personal accident.

Operating expenses
The gross expense ratio was 19.3% in 2016 compared with 20.4% in 2015. During 2016 the company has focused on reducing expenses and the decreasing number of employees has reduced staff costs. The company's updated strategy and three year plan has some clear objectives that include delivering on growth opportunities and improving the expense base.

Profit/loss from reinsurance
Reinsurance generated a loss of DKK 451 million in 2016 against a loss of DKK 501 million in 2015. The earlier reinsurance agreement with RSA Reinsurance UK had a negative effect on the result of DKK 7 million. The agreement was not renewed for 2016 and the result therefore only comprise run-off on this agreement. At the end of 2016 the reinsurance program has been commuted.

Balance on the technical account
The balance on the technical account is positive with DKK 2,167 million in 2016 against a positive balance of DKK 1.212 million in 2015. The increase reflects the run-off result, mainly attributable to Swedish motor products. The balance on the technical account before run-off changed from DKK 834 million in 2015 to DKK 1180 million in 2016, i.e. an increase of 41%.

Investments
The company's investments are made in subsidiaries and other financial assets. The total investment return was DKK 1,662 million for 2016 against DKK -51 million for 2015. The investment return after return on and value adjustments on technical provisions amounted to DKK 771 million against DKK -641 million in 2015, equal to an increase of DKK 1,412 million.

Management's review

The investment return for 2016 was affected by decreasing interest rates, which resulted in capital gains of DKK 337 million on bonds compared to losses of DKK -1,157 million in 2015.

Foreign exchange movements regarding investment assets had a positive contribution of DKK 260 million (2015: negative impact DKK 107 million)

Codan Forsikring seeks to minimise interest rate risk between assets and technical reserves by adopting a conservative investment strategy. The shares of government or government secured and mortgage bonds are therefore relatively high and account for approx. 47% and 46%, respectively, of the bond portfolio.

At the end of 2016, the company's investment portfolio consisted of the following assets (all amounts in DKK million):

	2016	%	2015	%
Investments in Group and associated entities	700.3	1.9	640.1	1.7
Loans to Group entities	1,000.0	2.6	1,000.0	2.7
Equity investments and units in open-ended funds	2,359.3	6.2	2,202.3	5.9
Bonds	32,949.8	87.2	32,585.0	86.9
Other loans	56.4	0.1	318.4	0.8
Other	82.2	0.2	11.5	0.0
Deposits with ceding undertakings	4.0	0.0	4.5	0.0
Cash and cash equivalents	638.8	1.7	717.8	1.9
	37,790.8	**100.0**	**37,479.6**	**100.0**

Return on and value adjustments on technical provisions
The return on and value adjustments on technical provisions includes the proportion of the changes to the present value of the technical provisions attributable to:

- currency translation on technical provisions,
- changes in the yield curve used for discounting, and
- the current revaluation of the present value of the provision until the expected settlement date (impact of unwind of discount).

The return on and value adjustments on technical provisions have decreased by DKK 1,050 million from a gain of DKK 158 million in 2015 to a loss of DKK 892 million in 2016. The majority of the technical provisions are denominated in SEK and are therefore sensitive to the Swedish interest rates. In 2016 the yield curve for SEK decreased leading to losses on the technical provisions.

Investments in Group entities
The profits generated by subsidiaries are as follows: Forsikringsselskabet Privatsikring generated a profit of DKK 47 million (a profit of DKK 48 million for 2015), Holmia Livförsäkring AB generated a profit of DKK 42 million (a profit of DKK 70 million for 2015) and other subsidiaries generated DKK -8 million (a profit of DKK -3 million in 2015).

Forsikringsselskabet Privatsikring A/S
Forsikringsselskabet Privatsikring writes direct general insurance business through Lokale Pengeinstitutter (the Association of Local Banks, Savings Banks and Co-operative Savings Banks in Denmark).

The profit for 2016 comprises a balance on the technical account of DKK 57 million (DKK 61 million in 2015), an investment result of DKK 3 million (DKK 0 million in 2015) and tax expenses of DKK 13 million (tax expenses of DKK 14 million in 2015).

Gross premiums written for Forsikringsselskabet Privatsikring increased from DKK 639 million in 2015 to DKK 659 million in 2016. Premiums have increased for all products, with the exception of Motor Third Party Liability and other personal lines. The balance on the technical account before run-off has decreased from DKK 33 million in 2015 to DKK 25 million in 2016 primarily due to negative development in the underlying claims ratios re-

Management's review

garding current year. The company had a positive claims run-off regarding previous years, primarily attributable to fire and contents, motor and personal accident.

Holmia Livförsäkring AB
Holmia Livförsäkring has licence to write direct and indirect life insurance where the payments are dependent on one or more person's life and additional insurance complementing this. The company primarily works together with Codan Forsikring's Swedish branch to cover the mortality risk in the branch's large portfolio of Health and Accident insurances.

The profit for 2016 comprises a balance on the technical account of DKK 41 million (DKK 70 million in 2015), an investment result of DKK 2 million (DKK 1 million in 2015) and tax expenses of DKK 1 million (tax expenses of DKK 1 million in 2015).

The company's total premium volume increased, and gross earned premium was DKK 118 million against DKK 116 million last year. The company has seen increasing claims costs as well as increasing operating expenses, which explains the negative development in the balance on the technical account.

Equity investments and units in open-ended funds
The company's exposure to shares is low. The company has investments in loan funds in which the underlying assets are primarily made up of loans in European commercial property companies. The company's equity investments and units in open-ended funds amounted to DKK 2,359 million at 31 December 2016, equal to 7.0% (6% in 2015) of the total investment portfolio.

The company's equity investments and units in open-ended funds generated a positive return of DKK 175 million in 2016 (a positive return of DKK 124 million in 2015).

Bonds
At 31 December 2016, bonds totalled DKK 32,950 million or 93% (87% in 2015) of the company's total investment portfolio and had duration of approx. 6.3 years. Of the total investment portfolio, Danish government bonds account for approx. 10%, Danish mortgage bonds for approx. 15%, Norwegian government bonds for approx. 1%, Norwegian mortgage bonds for approx. 0%, Swedish government bonds for approx. 30%, Swedish mortgage bonds for approx. 27%, EUR-denominated government bonds for approx. 1%. A total of approx. 86% of the bond portfolio is invested in AAA-rated bonds. The investments in Swedish and Norwegian bonds are used to hedge the business in Codan Forsikring's Scandinavian branches.

The total return on the bond portfolio was a gain of DKK 1,302 million (a loss of DKK 148 million in 2015), equal to approx. 4,0% (-0.5% in 2015), which is considered satisfactory.

Balance sheet
Total assets for Codan Forsikring decreased by DKK 725 million from DKK 44,126 million in 2015 to DKK 43,401 million in 2016. The decrease is primarily attributable to decrease in reinsurer's share of insurance contracts and a decrease in receivables from policyholders partly offset by increase in investments.

IT – software development projects
Codan Forsikring continuous to invest in IT, insurance software and related systems, as having the best available insurance systems to support the customers is a key part in maintaining Codan Forsikring's position on the Scandinavian insurance market. Codan Forsikring see the IT investment as essential to keep providing the best products and support to our customers.

Business initiatives

Key strategies
The Codan Group is in the middle of a transformation, which will help drive the strategic initiatives:

- Deliver on our customers' needs and our brand ambitions – close to customers. Supported by an agile customer-centric delivery model
- Clear and strong ownership of entire profit and loss account
- Improve cost effectiveness through process optimisation and digitalisation

Management's review

- Innovation and fast paced execution to improve time to market

The Codan Group will look to protect the current leadership positions in areas such as Motor, Personal Accident and Renewable Energy, while continue improving profitability across all three countries. The Group also plans to fully capitalise on the opportunities in Specialty and with global brokers that arise from being the only large scale player in the region with a global presence.

Market conditions
The Danish insurance market remains stable and attractive although with low growth. Largest competitors are focusing on profitability and to a lesser extent on growth. Codan has the same focus. The Swedish insurance market is still showing strong growth although at a slower pace that seen in recent years. In Norway the oil price drop – in particular within the commercial segment, weakened the insurance market.

Customers
Codan continues to work on delivering the brand and customer journey and implementing a customer mind-set in all parts of the business. A key focus area in the Codan Group strategy is to understand customer needs and requirements and adapt our service and propositions to meet the expectations.

Variable remuneration
With effect from 1 January 2011, new rules came into force imposing financial undertakings to draw up a remuneration policy for the undertaking, including rules on the payment of variable remuneration to the Board of Directors, the Board of Management and material risk takers. Codan Forsikring has implemented the rules and observes the special restrictions applicable to the remuneration of the Board of Directors, the Board of Management and material risk takers. Consequently, the company complies with the provisions of sections 71 and 77a-d of the Danish Financial Business Act. In accordance with section 77d of the Danish Financial Business Act, information about the total remuneration for members of the Board of Directors and Board of Management is provided in this annual report, and the information to be published in the remuneration report in accordance with the remuneration rules is available on Codan's website under Employee Remuneration reports'.

Audit and Risk Committee
The Board of Directors of Codan Forsikring has set up a combined audit and risk committee, the 'Codan Forsikring Audit & Risk Committee'.

The Committee consists of five members of the company's Board of Directors with Anthony Latham as chairman. As the independent member with special qualifications in accounting, the company's Board of Directors has appointed Lars Nørby Johansen. The Board of Directors found that his qualifications met the statutory requirements. The Danish Financial Supervisory Authority has been informed accordingly. Lars Nørby Johansen is Chairman of the Boards of Directors of Codan A/S and Codan Forsikring.

The tasks of the Committee are set out in the Terms of Reference based on Executive Order no. 1393 of 19 December 2011 on Audit Committees in Undertakings and Groups Subject to Supervision by the Danish Financial Supervisory Authority (*Bekendtgørelse om revisionsudvalg i virksomheder samt koncerner, der er underlagt tilsyn af Finanstilsynet*). The tasks of the Committee include monitoring of both the financial reporting process, including calculation of the individual solvency requirements, and the company's internal control system and risk management systems. The Committee also monitors the statutory audit of the financial statements, which includes controlling the auditors' independence and the effectiveness of the internal audit function.

In 2016, the Audit and Risk Committee held seven meetings. The five meetings were held in connection with reporting to the company's Board of Directors and the Danish Financial Supervisory Authority.

Events subsequent to 31 December 2016

Dividend for 2016
The Board of Directors do not propose declaration of a dividend. The proposal will be considered by the annual general meeting on 27 April 2017.

No other events of material importance to the company's financial position or business affairs have occurred subsequent to 31 December 2016.

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Outlook for 2017

Scandinavian economies are expected to show modest growth of around 2% with continued low inflation.

For Codan the transformation program will continue to drive simplification and effectiveness, which will result in further improvements in expense and claims ratios. The company will continue to make major investments and targeted efforts in supporting the corporate strategy.

The company expects a positive balance on the technical account slightly below this year. The balance on the technical account is sensitive to developments in yield curves, weather and large claims. The expectation is based on a normal year for these assumptions.

Codan Forsikring does not consider it appropriate to make any statements as to the expected developments in the interest rate and stock markets or the expected value adjustments for 2017.

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Employees and the company's community involvement
The cornerstone of Codan Forsikring's performance and success is the company's ability to attract, retain and develop the best talents. Codan Forsikring wants to be one of the best workplaces in the insurance market, which also contributes towards attracting employees to work in the insurance industry in general. By focusing on the development of the individual employee and manager, the company provides the framework for a dynamic, informative and stimulating environment based on respect.

Codan Forsikring strives to be a responsible employer. By focusing on all aspects of diversity and equal opportunities for all employees, Codan Forsikring wants to be a workplace where differences are considered a strength and source of inspiration.

Corporate responsibility efforts
The Codan Group is part of RSA Insurance Group plc. As such, the Codan Group subscribes to RSA Group's 5-year Corporate Responsibility Strategy which sets out our commitment to being a responsible business running the business in a way that all our employees can be proud of, ensuring financial strength and transparency for our shareholders, putting our customers first and delivering long-term value for our environment and society.

Our approach to corporate responsibility is determined by our stakeholders' view on the environmental, social and ethical issues that they see as important for us as a business to be addressing and influencing. Our strategy (2014-2018) has 4 pillars which address these issues. Safe, Secure World is how we help customers avoid risks; Thriving Communities is how we support our local communities, reducing unemployment where we can; Sustainable Future is how we accelerate the transition to a low carbon economy and improve resilience to extreme weather and Responsible Business is how we enhance our business reputation through high quality governance and excellent customer service.

Underpinning our Group Corporate Responsibility Strategy are our Corporate Responsibility Policies which outline our approach to human rights, the environment and community and charities.

Moreover, the Group has introduced a 'Guide to Business Conduct' which we expect all our colleagues to comply with. The Guide details the way we must put customers first, support each other to act ethically, respect our local environments and communities, keep regulators updated and deliver a sustainable, profitable performance to our shareholders. Our annually-reviewed Group-wide whistleblowing policy, sets out the procedure for colleagues to confidentially raise genuine concerns about suspected wrongdoing and malpractice. Where a breach is material or not in compliance with regulations, we will report externally.

A regional approach to corporate responsibility
Taking guidance from RSA Group and following customer surveys and interviews with key internal and external stakeholders, we developed a Scandinavian Corporate Responsibility Strategy (2014-16). The strategy supports the overall themes of RSA Group's CR Strategy however due to customer insight places additional focus on climate and safety specifically around the prevention of accidents and claims.

The top 10 challenges our customers expect us to help manage are:

1. Insurance fraud
2. Children's accidents
3. Fire accidents
4. Burglary claims in buildings
5. Water claims in buildings (broken pipes)
6. Traffic accidents (by increasing traffic safety)
7. Claims caused by extreme weather
8. Swimming accidents
9. Boat accidents
10. Corruption

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Climate
In recent years, Codan has seen an increase in weather-related claims. In the short term, the Group would like to raise awareness of damage caused by extreme weather supporting our customers to build resilience to changing environmental risks and opportunities. We also recognise that we can play a role in supporting the transition to a low carbon economy. We are a leading global insurer of renewable energy projects enabling these projects to proceed, reducing the risks and costs. We also encourage sustainable working practices amongst our employees, business partners and suppliers reducing our dependence on natural resources and preventioning pollution.

In Denmark, for example, Codan offers a rebate on home buildings insurance if customers install anti-flooding devices to prevent the basement from being flooded by sewage during cloudbursts. In addition, Codan has launched videos focusing on how Danish homeowners can avoid damage to their homes when a cloudburst hits the country. Moreover, Codan offers a free text message alert to all Danes to notify them of cloudburst or storm forecasts. Codan is also a member of the Danish think tank CONCITO, with the company contributing to the think tank's climate adaptation work.

RSA's Centre of Excellence for wind energy is situated at the Copenhagen Headquarter. The centre educates employees and develops insurance products to customers globally. Codan is involved in the insurance of 90% of the world's offshore wind production.

Safety
All accidents, whether they occur at home, at work, in traffic or on holiday, are unpleasant experiences that the people involved would rather do without. This also applies to us as an insurance company. An essential part of Codan's business is therefore to help prevent such accidents.

Safety in traffic was one of the main focus areas for Codan in Norway and Denmark in 2016. Codan Denmark has a partnership with Safety at eyelevel, where a caravan visits schools around the country promoting how schoolkids should behave when they are around trucks. As part of this activity we celebrated a local traffic hero - 6 year old Ludwig Ejkens Sørensen for making the local waste management company reschedule their route so it was safer for school and kindergarten children.

In November 2015 we launched a campaign in Norway called "Bilmodus" ("Car mode", inspired by flight mode) focusing on the danger of using the mobile phone while driving. During 2016 we have done PR activities supporting this concept, with a main focus in December. Surveys show that about every fourth car accident is related to the use of mobile phones while driving. Figures from more and more countries draw a clear pattern: mobile use while driving is dangerous and deadly. As more people, all over the world, gain access to smart phones, the number of accidents likely will increase dramatically. The aim of "Bilmodus" ("Car mode") is to tell people to focus on the traffic while driving and leave the mobile untouched.

In Denmark and Norway the focus in 2016 was as always on the importance of being visible in traffic. In 2016 we celebrated The National Reflector Day in Denmark where 157 of our employees volunteered on our streets handing out 80,000 free reflectors to road users. In Norway 27 employees participated, handing out 15 000 reflectors during morning commute in Oslo and Bergen.

In Sweden,Trygg-Hansa are focusing on water safety and the prevention of drowning. Trygg-Hansa has a long standing partnership with the Swedish Life Saving Society (SLS) in regards to promoting water safety. Our shared vision is that no child should die by drowing - a vision that is well aligned to Trygg-Hansa's business as we insure every other child in Sweden.

Drowning is one of the most common fatal accidents among children aged one to six years old, and every year an average of nine children drown. Every summer since 2012, Trygg-Hansa has funded outdoor summer swim schools with materials and resources. This year 28,500 children participated in the swim schools all over the country. Summer swim lessons are one of the most important activities when it comes to promoting swimming skills among children in Sweden.

Being able to float in water can save lives and is the first step to a swimming ability. Trygg-Hansa and the Swedish Life Saving Society has initiated the Baby Buoy concept to help parents and children practice water safety and floating at home in the bathtub or the bath, and thus increase safety in and around water. In 2016 our Baby

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Buoy tour enabled parents and babies to practice floating for free in nine cities around Sweden, and the Baby Bouy material is free to download for anyone who wish to practice at home.

Another safety issue Trygg-Hansa raised awareness about in 2016 is the risk of fire at home, and what people can do to prepare for it. Trygg-Hansa launched the world's first fire drill in virtual reality (VR). We visited a number of schools informing about fire safety, handing out free VR-glasses to children and practiced with them. VR-glasses and instructions how to use the VR-film to practice at home are available to the public for order on our web-site for free. The news about our VR-film and risks of fire around Christmas generated broad coverage in local and national newspapers, radio and TV.

Our People
High performing, motivated colleagues are our most important asset, which is why we invest so much in them. We strive to be a company which people want to join, love to stay with and are proud to be a part of.

Focus on capabilities, culture and engagement
Codan invests considerable resources on developing the right capabilities for the future. We believe that the company's future success is dependent on ensuring that our employees and leaders have knowledge and expertise to always be able to deliver the best possible solutions for our customers. The company supports and encourages capability development in order to strengthen both personal and technical development, and thereby add value to the business. This is done through a combination of internal and external training.

We have continued to focus on a number of platforms where our employees can give us feedback and have employed an engagement tool called Yammer in the UK, Scandinavia and Canada. We will run our annual employment survey, Yoursay in early 2017 with a new global partner giving us access to an online tool to review results, commentary and action planning.

Focus on more women in management
Codan focuses on women in management positions. Our aim is to increase the share of female managers on all levels of the organisation. Our specific target is to increase the share of women on our Board of Directors, excluding employee representatives, for Codan Forsikring from 20% in 2012 to 33% in 2017. We have also set up a target and policy for the share of women on other management levels – from 35% in 2012 to 40% in 2020. In addition, Codan has signed the Charter for More Women in Management (Denmark).

In 2016, the share of women on the Board of Directors went up from 20% to 40% in Codan Forsikring A/S .

The share of women on other management levels, has increased from 35% in 2012, 36% in 2013 and 37% in 2014 , 38% in 2015 and stayed at the same level of 38% in 2016.

The long-term aim for more women in management positions is to achieve a representation better reflecting the general distribution of women and men at Codan. Also, the efforts will contribute to our CSR objective of creating a sustainable future and provide equal opportunities for our employees and talent pool in society.

It is very important for us to listen to all our employees' opinions regularly. In our 2017 yearly employee survey we will be following up on engagement and work enablement to identify potential differences between the genders in order to take adequate measures and actions.

Our global RSA Diversity & Inclusion Steering group, with representatives from Codan A/S and Codan Forsikring A/S, meets quarterly to follow up on diversity measures, to share best practice and activity plans. Within Codan A/S we are currently taking on actions such as diversity training, with focus on unconscious bias, in certain divisions to increase awareness among our leaders and employees. We have also started female networks in some divisions with the aim to improve how we both attract and retain female employees. We are focusing on ensuring that we build a strong female talent pipeline for the future - 80% of the delegates (8/10) in our 2017 Technical Development program are female and 56% of the delegates (9/16) in our 2016/2017 Fast Track talent program.

Management's review

Risk management
Codan Forsikring is exposed to various types of risks, of which insurance risks, financial risks and operational risks are the most prominent. Insurance risks pertain primarily to underwriting risk, claims, technical reserving, and reinsurance. Financial risks consist primarily of market risks, including the impact of changes in interest rates, particularly in the bond portfolio and technical provisions. Operational risks include the risk of loss from inadequate or failed internal processes, people and systems, or from external events. The company's management of these risks is described below and further detailed in Note 2.

Risk management in Codan Forsikring
Codan Forsikring's overarching strategy and risk appetite statement, are set by the company's Board of Directors. The connection between strategic considerations regarding accumulated risks in the business operations through day-to-day decisions on whether to enter into agreements with customers, partners and suppliers has been reviewed and challenged through continuous assessment of the company's risk profile by the Own Risk & Solvency Assessment (ORSA) committee, which is an advisory committee to the CEO and senior management. The risk profile is reported on a continuous basis to the company's Board of Directors.

Codan Forsikring has implemented necessary and relevant systems, business processes, controls, control validation, and assurance activities in order to mitigate risks. Codan Forsikring manages risks on an ongoing basis to stay within risk appetite as approved by the Board of Directors, and reports risks to the Board of Directors quarterly. Where the risk exposure is judged to be unacceptable (outside risk appetite), actions are taken to mitigate and/or manage the risk to ensure that the risk is brought back within risk appetite within a reasonable timeframe. An annual assessment of the direct and indirect financial impact that could arise from various scenarios is furthermore performed. Codan Forsikring's most significant risks are outlined below:

Insurance risk
Codan Forsikring's insurance risks comprise:
- Underwriting Risk covers the (non-catastrophe) risks of unexpected or unplanned losses arising from acceptance of risk that deviates from target risk mix or portfolio strategy, inaccurate pricing or inadequate control over risk accumulation.
- Claims Risk covers the risk of unexpected or unplanned losses arising from new legal and regulatory requirements or inadequate claims management.
- Reserve Risk covers the risks of unexpected or unplanned losses arising from incorrect technical reserves.
- Reinsurance Risk covers the risk of unexpected or unplanned losses arising from the reinsurance protection that deviates from the reinsurance strategy.

The level of insurance risk that the company can accept is ultimately steered by the Underwriting Policy, which is set by the Board of Directors. In this policy, the Board clearly describes the risk appetite per insurance class and specifies the maximum acceptable limits that the Board is prepared to allocate to the various risks that have been evaluated, priced and accepted by the company's underwriters.

The Reinsurance Policy steers how reinsurance protection is to be structured to reduce Codan Forsikring´s insurance risks to acceptable levels. Reinsurance is purchased to protect the company from major individual claims,natural catastrophes and other catastrophe events that could impact many different lines of business. The Reinsurance Policy also stipulates, per insurance class, clear demands on what credit ratings the reinsurance companies are to have in order for Codan Forsikring to enter into contracts with them.

The company's method for setting premiums is defined through an underwriting process that takes into account various individual risks, which products are to be insured, and in some cases also risk management, in order to arrive at the right premiums for different customers. In both the Personal and Commercial business units, a majority of the customers are given a premium that is set according to tariffs that are calculated by pricing actuaries, while for major commercial customers, premiums are based on the respective companies' operations and claims history. The authority exercised by the respective underwriters is steered by a personal underwriting licence based on the underwriter's capabilities.

Technical provisions for future payment of already incurred claims are calculated using standard actuarial methods. The claims trends and reserve levels are reviewed quarterly by the actuarial reserving department and is addressed in a process which involves both the claims department and the Portfolio Heads/Product Directors.

Management's review

The Chief Actuary is responsible for setting reserves and produces reserve reporting to the Reserving Committee and the Board. The Reserving Committee meets at least once a quarter and has an advisory role that is designed to provide both challenge and a more in-depth look at the Chief Actuary's report. The committee reports to the CEO.

Financial risk
Financial risk consists of market risk, credit risk, and liquidity risk. Market risk is the most important of these for Codan Forsikring since a significant part of the company's activities consists of investment activities. Market risk is the risk that movements in the financial markets affect the value of assets and liabilities and thereby the company's capital base and return.

Most of Codan Forsikring's investments are in Scandinavian government bonds and Scandinavian mortgage bonds. The vast majority of the bonds are considered liquid and can be sold on short notice close to market price.

Market risk
Interest rate risk
Changes in interest rates are among the important factors which affect Codan Forsikring's financial risks. If interest rates decrease, the value of the company's bond portfolio rises. At the same time, technical provisions increase in connection with downwards changes in the discount rates. Changes in interest rates thus have an opposite profit and loss effect on assets and liabilities.

Equity risk
The value of the equity portfolio fluctuates in line with movements in the stock markets. Codan Forsikring has a limited exposure to equities as less than 7 % of the investment assets are invested in equities.

Spread risk
Spread risk is the risk that the value of bonds with an inherent credit element declines due to spread increases caused, for example, by an increase in risk aversion in the market. Codan Forsikring's spread risk on Danish mortgage bonds is broadly hedged on a net basis due to the construction of the Danish and Swedish discount curve, which to some extent incorporates Danish mortgage bond yields. Codan Forsikring is primarily exposed to spread risk via investments in corporate bonds. However, the spread risk is considered limited as Codan Forsikring primarily holds AAA-rated mortgage bonds and investment grade corporate bonds.

Real estate risk
Codan Forsikring has only one smaller direct investment in property.

Currency risk
Currency risk arises as a result of a mismatch in the value of assets and liabilities in the same foreign currency. Codan Forsikring has limited currency risk as the technical provisions are generally matched by investments in the same currency. The merger of Trygg-Hansa Försäkrings AB into Codan Forsikring A/S has changed the currency exposure for the company since the net asset value (NAV) of the Swedish branch is denominated in SEK. In Codan Forsikring's financial statements, results and equity of foreign branches are translated into DKK. Consequently, the SEK-denominated NAV constitutes a significant currency risk which is mitigated through hedging.

Inflation risk
Inflation risk is the risk that claims payments in future years will escalate given an increase in inflation due to indexation of claims cash flows. Codan Forsikring has an indirect exposure to inflation since technical provisions for workers' compensation and health and accident insurances are linked to a wage index which is correlated with inflation. The inflation risk is mitigated through the holding of investment assets that increase in value when inflation rises. Further, inflation derivatives are used to limit this risk.

Liquidity risk
Most of Codan Forsikring's investments are in liquid, listed bonds that can be liquidated on short notice at close to market price. Further, a credit facility can be obtained from the company's primary banks given the company's rating of A.

Management's review

Credit risk

Credit risk (default risk) is the risk of incurring a loss if a counterpart cannot meet its obligations. Codan Forsikring's investment portfolio consists primarily of Scandinavian AAA-rated government and mortgage bonds, for which the credit risk is considered very low. More than 75% of the total investments consist of AAA-rated bonds. In addition, Codan Forsikring holds European corporate bonds with a credit rating of at least BBB. Codan Forsikring's counterparty-related credit risks are primarily tied to holdings of cash and deposits in banks and exposure on reinsurance counterparties, but also receivables from policyholders and group companies comprises credit risk.

Operational risks

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events. Main operational risks in Codan are presently related to IT and business transformation programmes. Currently Codan Forsikring is executing on extensive infrastructure projects, which would affect the whole company if not delivered on time.

Codan manages operational risks in accordance with the risk appetite on an ongoing basis. In addition, an operational risk assessment is reported to the Board of Directors on a quarterly basis. Where the risk exposure is judged to be unacceptable (outside risk appetite), actions are taken to mitigate and/or manage the risk to ensure that the risk is brought back within risk appetite within a reasonable timeframe. An annual assessment of the direct and indirect financial impact that could arise from various scenarios is furthermore performed.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation the undertaking may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to the activities. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Other risks

The company also faces strategic risks, reputational risks and emerging risks. Strategic risks are the risks that arise from strategic decisions and planning, that can affect the company's business and capital adversely. Reputational risk is the risk that the company's intrinsic value is deteriorated through negative perceptions in the market, while emerging risks are risks that the Company may face over a period of time that transcend the planning horizon. Emerging risks can for instance relate to technological development, medical advances, and climate changes. The main strategic risks of Codan relate to ongoing infrastructure projects in IT. Reputational risk relates to risk of deteriorating brand perception of the Codan brand. For emerging risks, an ever-changing insurance market with hardening global and local regulatory/political attitude, customer behaviour, and technologies are the main topics. All risks are monitored to detect early indications of changes in trend, impact and/or likelihood in order to manage the risk within appetite.

Management's review

Capital structure

For capital management purposes, Codan Forsikring uses an internal capital model to assess and calculate capital requirements and scenarios. The model is used to calculate the solvency capital requirement and for performance review purposes capital allocations are derived from the model. The model is further used for impact analysis when assessing impact of major strategic decisions and updates to the operational plan. The model has been developed over a number of years in cooperation with the RSA Group and was approved by the College of Supervisors in December 2015. The model is fitted for Codan Forsikring and is continuously being developed, which includes an annual re-parameterisation. The model is a cash flow-based stochastic model, which models underwriting risk, reserving risk, catastrophe risk, counterparty risk, investment risk and operational risk. Within this model framework, with run-off on existing obligations and new business for one year, the solvency capital requirement is calculated as the capital required to resist a worst-case scenario, defined as a once in every 200-year occurrence.

Codan Forsikring's eligible own funds to cover the solvency capital requirement amounted to DKK 8,714 million at 31 December 2016. At the end of 2016, the solvency capital requirement of Codan Forsikring was DKK 4,059 million.

There have been two notable changes to the capital model carried out in 2016. One change was motivated by the low interest environment we are experiencing; an updated modelling methodology now allows for negative interest rate scenarios. Secondly, a change in the modelling of our terror exposure has allowed for simplifications of the model by removing a bespoke module.

Management's review

Directorships and executive positions

Board of Directors
At the time of adoption of the Annual Report, the members of the Company's Board of Directors held the following directorships and executive positions in other enterprises.

Board of Directors	Directorships and executive positions in other enterprises
Lars Nørby Johansen, Chairman	Fonden Oluf Høst Museet, Bornholms Mosteri A/S, Danmarks Underholdningsorkester A/S, Den Erhvervsdrivende Fond Bornholms Mosteri, (Chairman): Københavns Lufthavne A/S, William Demant Holding A/S, Dansk Vækstkapital K/S, Codan A/S, Fonden for Entreprenørskab, Dansk Vækstkapital Komplementar ApS, Montana Møbler A/S, (Deputy Chairman): Arp-Hansen Hotel Group A/S.
Anthony Latham, Deputy Chairman	Ecclesiastical Insurance Group plc., Ecclesiastical Insurance Office plc., (Chairman): Argo Managing Agency, (Deputy Chairman): Codan A/S.
Christer Arne Bjellert *	Codan A/S.
Marianne Philip	Aktieselskabet af 1. januar 1987, Anpartsselskabet af 17. december 2014, Brenntag Nordic A/S, Codan Forsikring A/S, Copenhagen Capacity, Fonden til markedsføring og erhvervsfremme i Region Hovedstaden, HD Ejendomme A/S, Investeringsforeningen MS Invest, Kromann Reumert, Norli Pension Livsforsikring A/S, Novo Nordisk Fonden, Kirsten og Peter Bangs Fond, (Chairman): Gerda og Victor B. Strands Fond/Toms Gruppens Fond, Gerda og Victor B. Strand Holding A/S, Scan Office A/S, Redoffice Scan Office A/S, Stiholt Holding A/S, Investeringsforeningen Nordea Invest Hedgeforeningen Nordea Invest Portefølje (kapitalforening) , Investeringsinstitutforeningen Nordea Invest Portefølje (kapitalforening), Investeringsforeningen Nordea Invest Portefølje, Investeringsforeningen Nordea Invest Kommune, Investeringsforeningen Nordea Invest Engros, Investeringsforeningen Nordea Invest Bolig, Kapitalforeningen Nordea Invest, (Deputy Chairman): Bitten og Mads Clausens Fond, (Liquidator): Binger Holding ApS under tvangsopløsning, Brave ApS under tvangsopløsning, Copenhagen Bikes ApS under tvangsopløsning, Delaney Holding ApS under tvangsopløsning, GZC Holding ApS under tvangsopløsning, H.Eckholdt Holding ApS under tvangsopløsning, HGPedersen Holding ApS under tvangsopløsning, HPZ Holding ApS under tvangsopløsning, NW Biotech Invest ApS under tvangsopløsning, PL Byg ApS under tvangsopløsning, Sky Company ApS under tvangsopløsning, Søren Skak ApS under tvangsopløsning.

Management's review

Directorships and executive positions

Board of Directors (continued)

Gunilla Astrid Henriette Asker	Codan A/S, Svenska Dagbladet Holding AB, SvD Börsplus AB, AB Göta Kanalbolag, Personal Finance Sverige AB, Schibsted Tillväxtmedier Annonsförsäljning AB, Pressens Morgontjänst KB, Compricer AB, Aftenposten Norway, (Chairman): A Perfect Guide AB, Svenska Dagbladet Annons AB.
Scott Egan	Codan A/S, RSA Insurance Group plc., Royal & Sun Alliance Insurance plc., Royal & Sun Alliance Reinsurance Limited, The Marine Insurance Company Limited, Ascentus Insurance Ltd, Canadian Northern Shield Insurance Company, Quebec Assurance Company, Roins Financial Services Limited, Royal & Sun Alliance Insurance Company of Canada, The Johnson Corporation, Unifund Assurance Company, Western Assurance Company.
Elisabeth Sandblom *	Codan A/S, Försäkringsbranchens pensionskassa, Förbundstyrelsen för FTF-facket för försäkring och finans.
Christian Sletten *	Codan A/S.

Board of Management
Pursuant to section 80 of the Danish Financial Business Act, the Board of Directors of Codan Forsikring A/S has approved that the members of the Board of Management of the Company, held or hold the following directorships and executive positions.

Board of Management	Directorships and executive positions
Patrick Bergander	Försäkringsgivarnas Arbetsgivarorganisations Serviceaktiebolag, (Chairman): Codan Ejendomme II A/S, (Directorship): Codan A/S, (Deputy Chairman): Svensk Försäkring.
Vivian Lund	Codan Ejendomme II A/S, Forsikringsselskabet Privatsikring A/S, Forsikring & Pension, Forsikringsorganisationens Fællessekretariat F.M.B.A, (Directorship): Codan Forsikring A/S.

*) Employee representative

Statement by the management on the annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of Codan Forsikring A/S for the financial year 1 January to 31 December 2016.

The annual report is presented in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2016 and of its financial performance for the financial year 1 January to 31 December 2016. It is also our opinion that the Management's review gives a true and fair view of developments in the Company's activities and financial position and describes the major risks and uncertainties that the Company is facing.

We recommend the annual report for adoption at the annual general meeting.

Copenhagen, 27 April 2016

Board of Management

Patrick Bergander *CEO*	Vivian Lund *EO*

Board of Directors

Lars Nørby Johansen *Chairman*	Anthony Piers Latham *Deputy Chairman*	Scott Egan
Gunilla Astrid Henriette Asker	Christer Arne Bjellert	Marianne Philip
Elisabeth Sandblom	Christian Sletten	

Independent auditors' report

To the shareholder of Codan Forskring A/S

Opinion

We have audited the financial statements of Codan Forsikring A/S for the financial year 1 January – 31 December 2016 comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to

Independent auditors' report

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Solvency ratio
Management is responsible for the key figure solvency ratio evident from the financial highlights of note 3 to the financial statements.

As disclosed in note 3, the key figure solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the financial statements does not include the key figure solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to consider whether the key figure solvency ratio is materially inconsistent with the financial statements or our knowledge obtained during our audit or otherwise appears to be materially misstated.

If on this basis we conclude that the key figure solvency ratio is materially misstated, we are required to report on this. We have nothing to report in this respect.

Copenhagen, 27 April 2017
KPMG
Statsautoriseret Revisionspartnerselskab

Anja Bjørnholt Lüthcke	Mark Palmberg
State Authorised	State Authorised
Public Accountant	Public Accountant
CVR: 25 57 81 98	CVR: 25 57 81 98

Income Statement

Note	DKK million	2016	2015
	General insurance		
4	Gross premiums written	15,662.5	16,377.6
	Premiums ceded to reinsurers	-651.1	-520.4
4	Change in premium provision	108.0	-430.6
	Change in profit margin and risk margin	-97.8	-23.8
	Change in the provision for unearned premiums, reinsurers' share	46.5	29.6
	Earned premiums, net of reinsurance	15,068.1	15,432.4
	Claims paid, gross	-10,717.8	-11,367.9
	Claims paid, reinsurers' share	671.4	692.0
	Change in the provision for claims	818.2	-520.3
	Change in risk margin	-58.8	164.2
	Change in the provision for claims, reinsurers' share	-564.8	-697.8
5	**Claims incurred, net of reinsurance**	-9,851.8	-11,729.8
	Bonuses and rebates	-80.0	-87.3
	Acquisition costs	-1,964.6	-2,086.5
	Administrative expenses	-1,051.3	-1,095.1
	Reinsurance commissions and profit participation	46.8	30.5
6	**Net operating expenses**	-2,969.1	-3,151.1
7	**Balance on the technical account, general insurance**	**2,167.2**	**464.3**
	Investments		
	Income from Group entities	82.0	114.9
	Income from associated entities	1.2	4.1
	Income from Group occupied properties	-0.7	-1.2
8	Interest income and dividends, etc.	1,087.5	1,128.8
9	Value adjustments	589.5	-1,194.8
	Interest expenses	-13.0	-17.2
	Investment management expenses	-84.3	-86.0
	Total investment return	1,662.2	-51.4
	Return on and value adjustments on technical provisions	-891.7	158.1
	Total investment return after return on and value adjustment on technical provisions	**770.5**	**106.7**
10	Other expenses	-	-64.6
	Profit before tax	**2,937.7**	**506.4**
11	Tax	-660.0	-94.9
	Profit for the year	**2,277.7**	**411.5**

Income Statement

Note	DKK million	2016	2015
	Proposal for the distribution of profit:		
	Transferred to reserve for net revaluation according to the equity method	82.0	114.9
	Transferred to retained earnings	2,195.7	296.6
		2,277.7	**411.5**

Statement of comprehensive income

		2016	2015
	Currency translation adjustment, foreign subsidiaries	-240.5	9.1
	Currency translation adjustment, foreign branches	-12.0	266.3
	Intra-group contribution	0.0	21.3
	Tax on intra-group contribution	0.0	-5.8
	Actuarial gains/losses on pension obligations	0.0	-2.7
	Tax on actuarial gains/losses on pension obligations	0.0	0.7
	Other comprehensive income	15.0	-1.3
	Tax on other comprehensive income	-2.9	0.0
	Other comprehensive income	**-240.4**	**287.6**
	Profit for the year	2,277.7	411.5
	Total comprehensive income	**2,037.3**	**699.1**

Balance sheet at 31 december

Note	DKK million	2016	2015
	Assets		
12	**Intangible assets**	**1,241.2**	**1,244.6**
13	Equipment	33.2	50.2
14	Group occupied properties	12.5	13.0
	Total property and equipment	**45.7**	**63.2**
15	Investments in Group entities	681.0	621.1
	Loans to Group entities	1,000.0	1,000.0
	Investments in associated entities	19.3	19.0
	Total investments in Group entities	**1,700.3**	**1,640.1**
	Equity investments	1,419.7	1,382.1
	Units in open-ended funds	939.6	820.2
	Bonds	32,949.8	32,585.0
	Other loans	56.4	318.4
	Other	82.2	11.5
	Total other financial assets	35,447.7	35,117.2
	Deposits with ceding undertakings	4.0	4.5
	Total investments	**37,152.0**	**36,761.8**
16	Reinsurers' share of provision for unearned premiums	211.2	170.1
	Reinsurers' share of provision for claims	919.6	1,618.4
	Total reinsurers' share of insurance contract provisions	**1,130.8**	**1,788.5**
	Receivables from policyholders	1,427.3	1,624.1
	Receivables from brokers	70.9	62.6
	Total receivables arising from direct insurance contracts	**1,498.2**	**1,686.7**
	Receivables from insurance companies	110.4	202.1
	Receivables from Group entities	366.1	355.8
	Other receivables	175.5	199.2
	Total receivables	**3,281.0**	**4,232.3**
	Assets held for sale	2.3	2.7
17	Current tax assets	256.4	252.5
18	Deferred tax assets	306.7	353.6
	Cash and cash equivalents	638.8	717.8
	Total other assets	**1,204.2**	**1,326.6**
19	Accrued interest and rent	385.9	398.4
	Other prepayments	91.0	98.9
	Total prepayments and accrued income	**476.9**	**497.3**
	Total assets	**43,401.0**	**44,125.8**

Balance sheet at 31 december

Note	DKK million	2016	2015
	Equity and liabilities		
20	**Share capital**	15.0	15.0
21	Contingency funds	5,534.3	5,714.6
	Reserve for net revaluation according to the equity method	415.8	-
	Translation reserve	170.3	242.0
	Equalisation reserve	-	59.2
	Total reserves	6,120.4	6,015.8
	Retained earnings	2,655.9	3,323.2
22	**Total equity**	**8,791.3**	**9,354.0**
	Premium provisions	2,253.2	2,603.3
	Profit margin on general insurance contracts	1,482.1	1,406.1
	Provision for outstanding claims	25,493.6	26,182.6
	Risk margin on general insurance contracts	2,012.5	2,010.5
	Provision for bonuses and rebates	33.3	36.7
	Total insurance contract provisions	**31,274.7**	**32,239.2**
23	Pension obligations	55.3	58.7
18	Deferred tax liabilities	110.6	-
24	Other provisions	172.0	234.1
25	**Total provisions**	**337.9**	**292.8**
	Deposits with ceding undertakings	**12.9**	**311.5**
	Payables arising from direct insurance contracts	80.2	66.2
	Payables arising from reinsurance contracts	121.4	115.1
	Debt to credit institutions	1,334.3	-
	Amounts owed to Group entities	57.1	26.0
26	Other payables	1,240.8	1,493.3
26	**Total payables**	**2,833.8**	**1,700.6**
	Accruals and deferred income	**150.4**	**227.7**
	Total equity and liabilities	**43,401.0**	**44,125.8**

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Statement of changes in equity

	DKK million					
	Share - capital	**Revaluation reserves, equity method**	**Other reserves**	**Proposed dividend**	**Retained earnings**	**Total equity**
2016						
Equity, beginnning of the year	**15.0**	**-**	**6,015.8**	**-**	**3,323.2**	**9,354.0**
Changes in equity for 2016:						
Currency translation adjustment, foreign subsidiaries	-	-0.3	-240.2	-	-	**-240.5**
Currency translation adjustment, foreign branches	-	-	-12.0	-	-	**-12.0**
Actuarial gains/losses Other comprehensive income	-	-	-	-	15.0	**15.0**
Tax on other comprehensive income	-	-	-	-	-2.9	**-2.9**
	-	**-0.3**	**-252.2**	**-**	**12.1**	**-240.4**
Profit for the year	-	82.0	-	-	2,195.7	**2,277.7**
Total comprehensive income for the year	-	81.7	-252.2	-	2,207.8	**2,037.3**
Equalisation reserve (credit and guarantee)	-	-	-59.0	-	59.0	**-**
Received dividend, subsidiaries	-	-9.8	-	-	9.8	**-**
Reversal of negative revaluation reserve, equity method	-	343.9	-	-	-343.9	**-**
Paid dividend	-	-	-	-	-2,600.0	**-2,600.0**
Changes in equity for the year	**-**	**415.8**	**-311.2**	**-**	**-667.3**	**-562.7**
Equity, end of the year	**15.0**	**415.8**	**5,704.6**	**-**	**2,655.9**	**8,791.3**

Statement of changes in equity

DKK million	Share - capital	Revaluation reserves, equity method	Other reserves	Proposed dividend	Retained earnings	Total equity
2015						
Equity, beginnning of the year	**15.0**	**-**	**5,718.1**	**2,900.0**	**4,054.8**	**12,687.9**
Change in accounting policy	-	-	22.5	-	-1,155.5	-1,133.0
Restated equity, beginning of the year	**15.0**	**-**	**5,740.6**	**2,900.0**	**2,899.3**	**11,554.9**
Changes in equity for 2015:						
Currency translation adjustment, foreign subsidiaries	-	0.2	8.9	-	-	**9.1**
Currency translation adjustment, foreign branches	-	-	266.3	-	-	**266.3**
Intra-group contribution	-	-	-	-	21.3	**21.3**
Tax on intra-group contribution	-	-	-	-	-5.8	**-5.8**
Actuarial gains/losses on pension obligations	-	-	-	-	-2.7	**-2.7**
Tax on actuarial gains/losses	-	-	-	-	0.7	**0.7**
Other comprehensive income	-	-	-	-	-1.3	**-1.3**
	-	0.2	275.2	-	12.2	**287.6**
Profit for the year	-	114.9	-	-	296.6	**411.5**
Total comprehensive income for the year	-	115.1	275.2	-	308.8	**699.1**
Received dividend, subsidiaries	-	-139.8	-	-	139.8	**-**
Release of negative revaluation reserve, equity method	-	24.7	-	-	-24.7	**-**
Paid dividend	-	-	-	-2,900.0	-	**-2,900.0**
Changes in equity for the year	**-**	**-**	**275.2**	**-2,900.0**	**423.9**	**-2,200.9**
Equity, end of the year	**15.0**	**-**	**6,015.8**	**-**	**3,323.2**	**9,354.0**

Notes to the financial statements

Note

1 Accounting policies

The annual report for 2016 of Codan Forsikring A/S has been prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds).

General information

The annual report is presented in DKK, rounded to the nearest million by one decimal. The business of Codan Forsikring consists mainly of selling general insurance products on the Scandinavian market and investing in Scandinavian securities. The company has branches in Norway, Sweden and USA.

Codan Forsikring A/S is a subsidiary to Codan A/S whose ultimate parent company is RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Forsikring Group.

Codan Forsikring has received permission to prepare the annual report solely in English from the Danish Financial Supervisory Authority.

Changes to accounting policies

Codan Forsikring A/S has implemented the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). The executive order introduces a number of changes to the accounting treatment of insurance contracts.

The new executive order comprises changes to the accounting for and measurement of insurance contracts, hereunder introducing the new terms "risk margin on insurance contracts" and "profit margin on insurance contracts". The executive order also includes changes to the presentation in the financial statements and the introduction of a new yield curve, calculated by the European Insurance and Occupational Pension Authority (EIOPA).

Risk margin on insurance contracts

Risk margin is the risk premium that a third party in principle will demand, to take over the insurance contract provisions with the inherent risk. Risk margin is calculated separately for premium provision and outstanding claims provision.

Risk margin on insurance contracts has not previously been presented separately in the balance sheet.

Profit margin on insurance contracts

Profit margin on insurance contracts is recognised as the expected future profit on bound, but not yet incepted insurance contracts, and incepted insurance contracts with remaining risk period, meaning the insurance contracts that today are covered by the premiums provision.

Profit margin on insurance contracts is measured as the difference between premiums related to bound but not yet incepted insurance contracts and incepted insurance contracts with remaining risk period and the expected claims payments included in the premium reserve. In case the future claims payments and risk margin for a line of business is expected to exceed the future premiums, the profit margin has been set to zero.

Profit margin on insurance contracts has not previously been presented separately in the balance sheet.

Notes to the financial statements

Note

Premium provision
Premium provision is still covering compensation for claims that have not yet incurred, but where the insurance company has taken on the risk through an insurance contract with an external party. The part of the provision that is attributable to the expected future profit on the premium provision, shall be recognised in the new balance sheet item “Profit margin on insurance contracts”. A risk margin shall be recognised for the premium provision to cover the uncertainty regarding claims that occur after the balance sheet date. The risk margin is recognised in the new balance sheet item “Risk margin on insurance contracts”. Cash inflows related to not collected premiums are reclassified from receivables.

The expected future payments are recognised at present value by discounting the payments with a yield curve calculated by EIOPA.

“Return on and value adjustment on technical provisions” includes the proportion of the changes to the present value of the technical provision attributable to changes in the yield curve used for discounting and attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwind of discount).

In addition, the criterion for recognising an insurance contract in the premium provision and related balance sheet items, is changed. According to the new executive order, a contract is recognised when the insurer is bound, where the previous rules of recognition stated time of inception. Furthermore all premium provisions are discounted, where the old rules only require discounting when the impact was significant.

The new rules have had a negative impact of DKK 1,265 million on Codan Forsikring’s equity as of 1 January 2016. Comparison figures for2015 have been adjusted in accordance with the accounting policies. Figures for previous years have not been restated as this is impracticable due to the non-existence of the new yield curve published by EIOPA before 1 January 2015. The impact on future years cannot be reliably assessed.

The comparison figures have been restated for 2015 with the following figures:

	2015 **DKKm**
Balance on the technical account	-87.5
Total investment return after technical interest and translation adjustment to general insurance provisions	-42.2
Profit before tax	-129.9
Tax	20.7
Profit for the period	**-109.2**
Investments in Group entities	-4.4
Total reinsurers' share of insurance contract provisions	-2.8
Receivables from policyholders	-2,173.4
Total assts	**-2,180.5**
Total equity	-1,264.7
Total insurance contract provisions	-558.4
Deferred tax liabilities	-357.4
Total equity and liabilities	**-2,180.5**

Apart from this, the accounting policies remain unchanged from the Annual Report for 2015.

Notes to the financial statements

Note

Recognition and measurement

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets and property and equipment are measured at cost on initial recognition. Subsequent measurements are made as described for each individual item below. Measurement at amortised cost involves recognition of a constant effective interest rate over the life of the asset or liability. Amortised cost is calculated as the original cost less repayments and with addition/deduction of the accumulated amortisation of the difference between cost and the nominal amount. In this way, capital gains and losses are allocated over the life of the asset or liability.

Assets are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably. Financial instruments are recognised in accordance with this principle, and the trade date is used as the date of recognition.

Liabilities are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, the company has a legal obligation, and when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

The recognition and measurement of assets and liabilities take into account information received after the balance sheet date but before the presentation of the annual report if such information proves or disproves circumstances prevailing on the balance sheet date.

Income is recognised in the income statement as earned. Expenses incurred to achieve the earnings for the year, including depreciation, amortisation, impairment losses and provisions, are recognised in the income statement. Adjustments resulting from changes in accounting estimates of items previously recognised in the income statement are also recognised in the income statement. Value adjustments of financial assets and liabilities which are measured at fair value are also recognised in the income statement, unless otherwise stated below.

Key assumptions and estimates

Determination of the carrying amount of assets and liabilities requires an estimate of how future events will affect the value at the balance sheet date. Estimates having a material impact on the financial reporting are, for example, made in connection with the determination of technical provisions, depreciation, amortisation and impairment losses, pension obligations as well as contingent assets and liabilities. The assumptions and estimates used are reviewed on a continuous basis and are, among other things, based on historical experience and expectations of future events.

The estimates used are based on assumptions which the management believes to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Codan Forsikring A/S is furthermore subject to risks and uncertainties that could cause actual results to differ from the estimates used.

Risk management is described in Note 2.

The following accounting assumptions and estimates are considered material to the annual report:

Notes to the financial statements

Note

Insurance contract liabilities
The provision for outstanding claims is generally affected by key actuarial assumptions and estimates, including expectations of the number and size of claims incurred but not yet reported as well as inflation developments. In some cases, the historical data forming part of the actuarial methods do not necessarily reflect the expected future level of claims, for instance in connection with amended legislation, legal practice or the practice of the Danish National Board of Industrial Injuries for awarding compensation, where an a priori estimate of the effect is prepared. This estimate is communicated to the business and forms the basis of premium changes necessitated by an expected change in the level of claims.

For general insurance companies, a run-off result is calculated as the difference between:
a. the provision for outstanding claims in the opening balance sheet, adjusted for currency translation differences and discounting effects, and
b. the sum of claims paid during the financial year relating to claims incurred in previous financial years, and that part of the provision for outstanding claims relating to claims incurred in previous financial years.

Run-off results for the past five years are shown in the five-year summary in Note 3.

Allocations in Codan Forsikring
Expenses that are not directly attributable to individual lines of business or cannot be identified as either claims handling costs, operating expenses (acquisition costs and administrative expenses) or investment management expenses are allocated on the basis of estimated time consumption or cost charge.

Measurement of intangible assets
Impairment testing of intangible assets may be significantly affected by major changes in the estimates and assumptions on which the calculations of recoverable amounts are based.

Deferred tax
The tax liability arising on a temporary difference between the carrying amount and the tax value is generally recognised as deferred tax. If the temporary difference is negative, and it is considered likely that it can be used to reduce future tax liabilities, a deferred tax asset will be recognised.

Deferred tax assets have been recognised on the basis that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a forecast consistent with the three-year operational plans prepared by the relevant businesses, which are subject to internal review and challenge. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those used in the plans.

Codan Forsikring does not make provisions for deferred tax on contingency funds. The reason for this is that, in the opinion of the management, taxation will only take place if the insurance portfolio is transferred or if the company ceases to carry on insurance business.

Contingent liabilities
Contingent liabilities, including the outcome of pending legal proceedings, are inherently uncertain. The management has estimated these on the basis of legal assessments of the specific cases.

Changes in assumptions and estimates
No material changes in assumptions or estimates have been made during 2016.

Notes to the financial statements

Note

Business combinations
Newly acquired or established entities are included in the financial statements from the date of acquisition or foundation. Entities sold or terminated are included in the income statement up to the date of disposal. Comparative figures are not restated for entities recently acquired, sold or terminated.

Identifiable assets, liabilities and contingent liabilities of newly acquired entities are measured at fair value at the date of acquisition.

The cost of business combinations is measured as the total fair value at the date of acquisition of transferred assets, known or predicted liabilities, and all costs directly attributable to the business combination.

Positive balances (goodwill) between the cost of business combinations and the fair value of identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under intangible assets.

Goodwill is not amortised, but tested at least annually for impairment and written down to the recoverable amount through the income statement if the carrying amount is higher. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

In connection with intra-group business combinations or portfolio transfers, the aggregation method is used whereby the difference between the purchase consideration and the net assets acquired is recognised directly in equity and comparative figures are restated.

The merger between Codan Forsikring A/S and Trygg-Hansa Försäkrings AB in 2015 constitutes an intragroup business combination. The statutory accounts for Codan Forsikring A/S has been prepared using the aggregation method, so that the profit and loss and balance sheet items of the two merged entities have been added as if the companies had been merged from the beginning of the earliest year presented in the financial statement. The parent company of the merged entities is Codan A/S. No purchase consideration has been paid in connection with the merger. The company's activities in Sweden will continue to be carried out by the Codan Forsikring Swedish branch.

When the initial accounting for a business combination can be determined only provisionally, any adjustments to goodwill and the fair values of assets, liabilities and contingent liabilities are recognised within 12 months of the date of acquisition. Subsequently, goodwill will only be adjusted as a result of changes in estimates of contingent purchase considerations. If, 12 months after the acquisition, it is ascertained that the fair value of assets or liabilities at the date of acquisition differs from the values initially recognised, the adjustments are recognised in the income statement.

Intra-group transactions
Business transactions between group companies are conducted on market-based conditions or on a cost-covering basis.

Foreign currency translation
The company's functional currency is DKK in respect of business and investments originating from Denmark. The functional currencies used by the company's branches in Sweden and Norway are the currencies of the respective countries.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Exchange differences resulting from translation at the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognised in the income statement as value adjustments.

Receivables, payables, other monetary items as well as non-monetary items recognised on the basis of the fair value in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the time when such receivables or payables arose or were recognised in the latest annual report is recognised in the income statement as value adjustments.

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly in equity as part of the translation reserve. If the foreign entity is disposed of, any currency translation differences will be recognised in the income statement in connection with the disposal.

Goodwill and other fair value adjustments of assets and liabilities arising on the acquisition of foreign entities are treated as belonging to the foreign entity and are translated at the exchange rate ruling at the balance sheet date.

Individual areas in the annual report

Insurance contracts
Insurance contracts are defined as contracts under which one party (the insurer) accepts an insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is defined as risk, other than financial risk, transferred from the policyholder to the issuer of an insurance contract.

Insurance liabilities are recognised in the balance sheet from the time when the insurance risk is transferred to the insurer. The liability or part thereof is removed from the balance sheet when the liability, as specified in the contract, is met, cancelled or has expired.

The provision for insurance liabilities is recognised so that it, by taking into account what can reasonably be anticipated, is sufficient to cover all the company's liabilities, but at the same time the level of provision should not be higher than required.

Reinsurance
Reinsurance contracts are defined as insurance contracts entered into with reinsurers under which the company is fully or partially compensated for losses on one or more insurance contracts issued by the company.

Codan Forsikring uses reinsurance as a normal part of its business for the purpose of limiting possible losses through the spreading of risk. Reinsurance does not change the company's liabilities towards the policyholders. Conclusion of reinsurance contracts therefore means that the company is exposed to credit risk as far as receivables from reinsurers are concerned.

Earned premiums, claims incurred and technical provisions are shown on a gross basis in the income statement and the balance sheet, i.e. gross of reinsurance.

Notes to the financial statements

Note

General insurance contracts
Gross premiums include amounts received by the company during the accounting period or amounts owed to the company for direct and indirect insurance contracts whose period of insurance commenced prior to the end of the accounting period.

Gross premiums are recognised less any return of premiums, bonuses and rebates offered to policyholders irrespective of claims experience, and excluding any charges payable to public authorities collected together with the premiums. In connection with co-insurance, the share of the total premium belonging to the company is included.

Premium provision is recognised when the insurer is bound. Premium provisions are calculated as present value of the future cash flows related to the remaining risk periods on already incepted insurance contracts, and bound but not incepted contracts. The cash flows include claims payments, direct and indirect expenses and (remaining) premium payments that the company according to its best estimate is expected to incur. Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract.

For both claims and premium provision the present value assessment of the cash flows (discounting) is based upon the yield curve published by EIOPA. No matching adjustment or volatility adjustments are made.

The part of the provision that is attributable to the expected future profit on the provision for premium provision, shall be recognised in “Profit margin on insurance contracts”. A risk margin shall be recognised for the premium provision to cover the uncertainty regarding claims that occur after the balance sheet date. The risk margin is recognised in the balance sheet item “Risk margin on general insurance contracts”. Cash inflows related to not collected premiums are reclassified from receivables.

The difference between the premium provision gross, at the beginning and at the end of the accounting period is recognised as change in the premium provision. However, the proportion of the balance attributable to currency translation differences is recognised in the income statement as “Return on and value adjustments on technical provisions”.

Return on value adjustment on technical provision are calculated as the proportion of the changes to the present value of the premium provisions attributable to changes in the yield curve used for discounting and attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwind of discount).

Risk margin on insurance contracts
Risk margin is the risk premium that a third party in principle will demand, to take over the insurance contract provisions with the inherent risk. Risk margin is calculated separately for premium provision and outstanding claims provision. Risk margin is calculated using a method equivalent to the Solvency II risk margin based on a cost of capital method.

The difference between the risk margin related to the premium provision, at the beginning and at the end of the accounting period is recognised as “Change in profit margin and risk margin”. The difference between the risk margin related to the technical provision, at the beginning and at the end of the accounting period is recognised as “Change in risk margin”.

Profit margin on insurance contracts
Profit margin on insurance contracts is recognised as the expected future profit on bound, but not yet incepted insurance contracts, and incepted insurance contracts with remaining risk period, meaning the insurance contracts that today are covered by the premium provision. In case the future claims payments and risk margin for a line of business are expected to exceed the future premiums, the profit margin has been set to zero.

Notes to the financial statements

Note

Profit margin on insurance contracts is measured as the difference between premiums related to bound but not yet incepted insurance contracts and incepted insurance contracts with remaining risk period and the expected claims payments included in the premium reserve. The difference between the profit margin, at the beginning and at the end of the accounting period is recognised as "Change in profit margin and risk margin".

The premium amounts repaid or to be repaid to policyholders are recognised as bonuses and rebates when the repayment amount is determined on the basis of the claims experience during the financial year for the individual insurance contract or a portfolio of insurance contracts based on criteria laid down prior to the beginning of the accounting period or when the insurance contracts are taken out. The provision for bonuses and rebates includes the expected amounts payable to policyholders based on their claims experience during the accounting period.

Claims paid include amounts paid in respect of insurance claims during the accounting period. The amount includes internal and external costs for the survey and assessment of claims, costs for the limitation of claims incurred as well as other direct and indirect costs for the settlement of claims incurred. Claims paid are recognised after deducting amounts received as a result of the company taking over insured values or being subrogated to the insured's rights in connection with claims payments.

Run-off gains or losses on previous years' provision for outstanding claims are included in claims incurred.

The provision for outstanding claims is recognised as the present value of the amounts that the company, according to its best estimate, is expected to pay in connection with insured events that have occurred up to the balance sheet date in addition to the present value of amounts already paid in connection with such events. The provision for outstanding claims furthermore includes the direct and indirect claims handling costs that the company, according to its best estimate, is expected to incur.

Claims provisions are calculated as the present value of the future cash flows associated with already occurred claims. The payments include claims payments (including salvage and subrogation) and direct and indirect expenses. The methods used for the determination of the provision for outstanding claims are classical actuarial methods. For most of the business, the methods are based on run-off triangles containing paid or reported claim amounts. Methods are classical triangle based actuarial such as Chain-Ladder or Bornhuetter-Ferguson.

The main assumptions of the methods are that the claims run-off is relatively stable over time. To exemplify: a claim occurring in 2016 is more or less assumed to have the same run-off behaviour as a claim that occurred in 2012. To the extent that specific knowledge is available which makes such assumption unlikely, the model is adjusted accordingly. In several segments, reserves relating to claims incurred in the last few years are affected by assumptions concerning underlying changes in premium level, claims inflation and portfolio mix. These assumptions are therefore quantified explicitly and are included as part of the basis for determining the reserve.

For most lines of business, future inflation is handled implicitly in the statistical models. The assumption is that the future claims inflation is equal to the historical claims inflation. In respect of larger lines of business with long settlement periods, this assumption is important for the amount of the provision for outstanding claims. This especially applies to workers' compensation insurance and annuities related to motor insurance in Sweden where inflation assumptions are therefore handled explicitly.

Data used in the reserving process are reconciled with the primary systems. Any application of actuarial methods requires choices and related estimates. These choices and estimates affect the reserve amount. The choices/estimates are therefore reviewed in an internal review process to ensure that the final reserve level is appropriate.

The present value assessment of the cash flows (discounting) is based upon the Solvency II yield curve published by EIOPA. No matching adjustment or volatility adjustments are made.

The difference between the provision for outstanding claims at the beginning and at the end of the accounting period is recognised as change in the provision for claims. However, the proportion of the balance attributable to currency translation differences and changes in the discount rates used is recognised in the income statement as “return on value adjustment on technical provisions”.

Return on value adjustment on technical provision are calculated as the proportion of the changes to the present value of the premium provisions attributable to changes in the yield curve used for discounting and attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwind of discount).

Amounts paid or payable by the company to reinsurers for reinsurance cover during the financial year are recognised as premiums ceded to reinsurers.

Reinsurers share of provisions for insurance contracts
Reinsurers' share of premium provision includes the company's rights under reinsurance contracts calculated as the premiums ceded to reinsurers less that part of the ceded premiums relating to the time prior to the balance sheet date. The ceded premiums is the premiums paid by the company for reinsurance contracts. The asset is tested for impairment and written down to any lower recoverable amount.

Amounts received by the company during the financial year from the company's reinsurers to cover claims incurred under reinsurance contracts are recognised as claims paid, reinsurers' share.

Reinsurers' share of provision for claims includes the company's rights under reinsurance contracts as regards insured events that have occurred. The rights are determined on the basis of the terms of the reinsurance contracts, using the same estimates and discounting principles that have formed the basis for the calculation of the provision for outstanding claims, gross. As is the case with reinsurers' share of premium provision, the asset is tested for impairment and written down to any lower recoverable amount.

Change in the provision for claims, reinsurers' share includes the difference between the proportion of the provision for outstanding claims attributable to reinsurance cover at the beginning and at the end of the financial year. As is the case with change in the provision for claims, gross, the proportion of the balance attributable to currency translation differences and changes in the discount rate applied is recognised in the income statement as return on value adjustment on technical provisions. Furthermore, the proportion of the change attributable to the impact of the unwinding of discount of the reinsurers' share of provision for claims during the period is also included in return on value adjustment on technical provisions.

Operating expenses
Operating expenses include staff costs, commissions, marketing expenses, rent, expenses for stationary and office supplies, and depreciation, amortisation and impairment of property and equipment as well as intangible assets.

The proportion of operating expenses attributable to the acquisition and renewal of the portfolio of insurance contracts is included in 'Acquisition costs'. Acquisition costs are recognised when the cost is spent.

Commissions received from reinsurers are accrued over the period of cover of the insurance contracts.

Notes to the financial statements

Note

Financial instruments
In connection with the acquisition and disposal of financial instruments under normal market conditions, the trade date is used as the date of recognition or the date where the asset/liability is no longer recognised in the balance sheet. When the financial instrument is recognised, an asset/liability equal to the agreed price is also recognised. On the disposal of a financial instrument, an asset/liability equal to the agreed price is similarly recognised. The liability or the asset will no longer be recognised in the balance sheet on the settlement date.

Financial derivatives
For financial derivatives, which do not qualify for hedge accounting, changes in fair value are recognised in the income statement.

The fair value of financial derivatives is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent.

Currently financial derivatives comprise foreign exchange contracts, repo contracts and inflation swaps.

Sale and repurchase contracts
Securities sold subject to repurchase agreements (repos) remain on the balance sheet; the counterparty liability is recognised in “Debt to credit institutions”. The difference between the sale and repurchase price is treated as interest and accrued over the life if the contract using the effective interest method.

Leases
Assets held under finance leases are recognised on equal terms with other equipment from the time when the company is entitled to use the leased asset. On initial recognition, the asset is measured at the lower of the fair value and the present value of the agreed lease payments. When calculating the present value, the interest rate implicit in the lease is used as discount rate or an approximate value for this. Changes in present values during the financial year are recognised as financial expenses.

The capitalised remaining lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is charged to the income statement as incurred.

Assets held under operating leases are not recognised in the balance sheet, and lease payments are recognised in the income statement on a straight-line basis over the period of the lease.

In connection with sale and leaseback transactions (sale of an asset and leaseback of the same asset) resulting in operating leases, the selling price and lease payments will be assessed relative to the fair value. If the transaction has been agreed at fair value, any profit or loss relative to the carrying amount will be recognised immediately.

If the selling price is below fair value, any profit or loss will also be recognised immediately, unless the loss is compensated for by future lease payments below market price. In such cases, the loss is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the selling price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

The company has no sale and leaseback transactions where the leaseback is a finance lease.

Incentive schemes

The RSA Group operates share option schemes satisfied by shares in RSA Insurance Group plc.
RSA Insurance Group plc. operates a number of incentive schemes. Until and including 2005, RSA Insurance Group plc. had an Executive Share Option Plan and a Share Matching Plan for executives and other key employees. In 2006, these plans were replaced by a Long Term Incentive Plan. The plans are all subject to different performance conditions and are based on shares in RSA Insurance Group plc. As of 2014 the long term incentive plan is replaced by the Performance Share Plan (PSP). In addition, RSA Insurance Group plc. operates the Savings Related Share Option Plan providing all employees with the opportunity of buying shares in RSA Insurance Group plc. at a favourable price.

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted. The fair value is determined at the grant date. At each balance sheet date, the company revises the estimates of the number of options expected to be exercised. The company recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Share options are included in the disclosure on remuneration to management as the share options are earned, whereas the disclosure on incentive schemes includes share options as they are issued.

Assets held for sale and discontinued operations

Discontinued operations are defined as one entity whose operations and cash flows can clearly be separated from the remaining business – both operationally and financially – and where the operations have either been disposed of or separated for the purpose of sale. Operations/assets are classified as 'Assets held for sale' or 'Discontinued operations' if their carrying amount will be recovered principally through a sales transaction within 12 months according to a formal plan rather than through continuing use. Discontinued operations also include businesses acquired for resale, where the sale is likely to be completed within one year.

Discontinued operations are presented in a separate line in the income statement together with comparative figures and are specified in the notes. Balance sheet items relating to discontinued operations and assets held for sale are recognised as separate items in assets and liabilities, respectively. Comparative figures for assets and liabilities are not restated.

Assets held for sale are measured at the lower of the fair value less costs to sell and the carrying amount. The assets are not subject to depreciation.

Income statement

As regards the technical account in the income statement, reference is made to the specifications in 'General insurance contracts' and 'Operating expenses'.

Investment return

Interest and interest-related income from bonds, other securities, loans and receivables, including indexation of index-linked bonds and dividends on equity investments, are recognised in interest income and dividends, etc.

Total value adjustments, including currency translation adjustments as well as net gains and losses from the sale of assets falling within the group of investments in the balance sheet, are recognised as value adjustments.

Interest on and interest-related expenses in connection with payables and liabilities are recognised as interest expenses. Borrowing costs are charged to the income statement as incurred, as borrowing costs related to qualifying assets are not capitalised (e.g. in connection with the construction of Group-occupied properties).

Notes to the financial statements

Note

Costs attributable to trading in and management of the company's investments are recognised as investment management expenses. The investment return further includes income from Group entities, which consists of the company's share of Group entities' net profit after tax.

Other income and expenses
Income and expenses which are not attributable to the company's insurance portfolio or investments and profit from sale of portfolios are included in other income and expenses.

Tax
The company is taxed jointly with Danish subsidiaries and Codan A/S as well as the Danish subsidiaries of this company. Full allocation is made to all jointly taxed companies. Tax for the year, consisting of current tax for the year, any change in deferred tax and adjustments relating to previous years, is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The company is subject to the Danish tax prepayment scheme. Additions, deductions and allowances relating to tax payments are included in 'Interest income and dividends, etc.' and 'Interest expenses'. Tax payments are made to Codan A/S, which, according to the rules on joint taxation, acts as administration company.

Current tax liabilities and assets are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable income for previous years and tax paid on account.

Deferred tax liabilities are measured using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, no provision is made for deferred tax on temporary differences arising from amortisation of goodwill disallowed for tax purposes and other items where such differences – except in connection with acquisitions – have arisen at the date of acquisition without having an impact on the financial results or the taxable income. In those cases where the tax base can be determined according to alternative taxation rules, deferred tax liabilities will be measured on the basis of the planned use of the asset and the settlement of the liability.

Deferred tax assets, including the tax base of tax losses that may be carried forward, are recognised in 'Other assets' at the value at which they are expected to be used, either through elimination of tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates in the respective countries which, based on the legislation in force at the balance sheet date, will apply when the deferred tax liability is expected to be settled or when the deferred tax asset is expected to be realised. Change in deferred tax resulting from changes in tax rates is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The company does not make provisions for deferred tax on contingency funds. According to the Danish Financial Business Act, including the Danish Financial Supervisory Authority’s executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds) a provision for deferred tax on contingency funds should only be made if it is likely that a situation will arise within the foreseeable future which will result in taxation. In the opinion of the management, taxation will only take place if the insurance portfolio is transferred or if the company ceases to carry on insurance business.

Balance sheet

Assets
Intangible assets
Goodwill

Goodwill is initially recognised in the balance sheet at the amount corresponding to the excess of the cost of acquisition of the company's interest in an acquired entity over the company's interest in the fair value of the acquired assets and liabilities at the time of acquisition. Goodwill relating to acquisitions prior to 2004 is recognised at the carrying amount at 1 January 2004. This goodwill has thus been recognised on the basis of the cost recognised in accordance with the previous accounting policies less amortisation and impairment losses up to 1 January 2004. Reference is made to the section 'Business combinations'. The carrying amount of goodwill is allocated to cash-generating units at the date of acquisition. Cash-generating units are determined in accordance with the business structure, and goodwill is tested for impairment at the end of the financial year. In connection with intra-group business combinations, existing goodwill is allocated to the new cash-generating unit in which the activities creating the goodwill are included.

The carrying amount of goodwill is tested for impairment together with all other assets in the cash-generating unit to which goodwill has been allocated and is written down to the recoverable amount through the income statement if the carrying amount is higher.

Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

Impairment losses on goodwill are not reversed.

Development projects

Development projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and development opportunities in the company can be demonstrated, and where the intention is to produce or use the project outcome, are recognised as intangible assets, provided that the cost can be determined reliably and that there is sufficient certainty that the asset will generate economic benefits exceeding costs.

Costs include materials and services attributable to the company's development activities.

All other costs associated with developing or maintaining computer software are recognised in the income statement as incurred.

Completed development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The amortisation period is usually three years, but can be five to seven years. Development projects in progress are measured at cost less any impairment losses.

The company's development activities include the development of IT programs and platforms as well as major strategic efforts within insurance systems.

Other intangible assets

Customer lists acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment losses. The amortisation period for customer lists is five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Acquired computer software licences are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The depreciation period is usually three years.

Property and equipment

Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses, if any.

Cost comprises the acquisition cost and costs directly attributable to the acquisition up to the date when the asset is available for use. Subsequent costs are included in the carrying amount when it is probable that they will result in future economic benefits and can be measured reliably. Costs of normal repairs and maintenance are charged to the income statement.

The basis of depreciation is the cost less the residual value and any impairment losses, and depreciation is charged on a straight-line basis over the estimated useful lives of the assets, which are mainly in the range from three to ten years. The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on assets disposed of or scrapped are determined by comparing proceeds with the carrying amount. Gains and losses are recognised in the income statement.

Impairment of intangible assets and property and equipment

Goodwill, finalized development projects and development projects in progress are tested for impairment in connection with the annual report and during the year if there is any indication of impairment. The carrying amount of other intangible assets and property and equipment is reviewed at least annually to determine whether there is any indication of impairment. If there are indications of impairment, the carrying amount is written down to the estimated recoverable amount of the asset if this is lower than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the expected value in use.

Impairment losses on development projects and other intangible assets are reversed to the extent that changes have been made to the assumptions and estimates underlying the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Investments in Group entities

Investments in Group entities are measured according to the equity method, which means that the value is equal to the proportion of equity in the entities which corresponds to the ownership interest and is calculated in accordance with the accounting policies applied by the company.

The profit or loss of Group entities is included in the parent company income statement for the same financial year. The profit or loss of Group entities is transferred to the reserve for net revaluation according to the equity method under equity. This reserve may not be used for dividend or distribution. The reserve in the parent company is reduced by dividend payments from Group entities.

Other financial assets

Financial assets are measured at fair value, and value adjustments are included in the income statement.

The fair value of listed securities is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent.

For securities that are not listed on a stock exchange, or for which no market price exists which reflects the fair value of the asset, the fair value is determined using valuation techniques, the purpose of which is to determine the transaction price which would result from arm's length transactions between independent parties at the date of measurement. These techniques include the use of similar recent arm's length transactions between independent parties, reference to other instruments that are substantially the same and a discounted cash flow analysis. All value adjustments of financial assets are recognised in the income statement as value adjustments.

Notes to the financial statements

Note

Currency translation adjustments are recognised directly in the income statement.

Receivables
Receivables, including deposits with ceding undertakings and receivables arising from insurance contracts, are recognised at fair value and subsequently measured at amortised cost using the effective interest method, which usually corresponds to the nominal value in respect of short-term non-interest-bearing receivables and floating rate receivables.

An estimated provision for expected losses is recognised in the income statement when there is a clear indication that the asset is impaired. The recognised provision is measured as the difference between the asset's carrying amount and a possible lower recoverable amount.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks as well as securities with a maturity of less than three months at the date of acquisition which are readily convertible into cash and which are subject to insignificant risks of changes in value.

Prepayments and accrued income
Prepayments and accrued income are measured at cost, equivalent to the measurement made on initial recognition.

Liabilities
Equity
Share capital
Shares in Codan Forsikring are recognised at nominal value.

Reserve for net revaluation according to the equity method
The reserve includes net revaluation of investments in Group entities according to the equity method.

Contingency funds
The Danish contingency funds are separate reserves within equity, which, until 1989, were set aside to strengthen the capital position and which were subject to tax relief. Contingency funds may only be used to strengthen the technical provisions or otherwise benefit the policyholders.

The Swedish contingency reserve is reported as an untaxed reserve. Changes are recognised through profit or loss. The basis for calculation is based on a directive from the Swedish Financial Supervisory Authority on a so-called normal plan for calculating the contingency reserve. The directive indicates the maximum amount that may be allocated to the contingency reserve, based on written premiums and the provision for claims outstanding in certain lines of insurance. Codan Forsikring Swedish branch continuously calculates the maximum scope for provisions. At year-end the company had not utilised the maximum scope.

Translation reserve
The translation reserve comprises exchange differences arising from the translation of the equity of foreign subsidiaries and branches at the beginning of the year at the exchange rates prevailing at the balance sheet date and from the translation of income statements from the exchange rate prevailing at the date of transaction into the exchange rates prevailing at the balance sheet date.

The reserve also comprises foreign currency translation of intangible assets relating to acquisitions.The translation reserve has been determined in accordance with the guidelines issued by the Danish Financial Supervisory Authority as from 1 January 2004.

Currency translation adjustments are recognised in the income statement if the foreign entity is dissolved or disposed of.

Notes to the financial statements

Note

Equalisation reserve
The equalisation reserve have been abrogated in Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and the equalisation reserve has been dissolved through the retained earnings. No adjustment are made in the income statement.

Proposed dividend
Proposed dividend is shown as a separate item under equity. Dividend distribution is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Intra-group contributions
Intra-group contributions are treated as capital increases in respect of contributions from the parent company or companies affiliated with the company and as dividends in respect of contributions from the company to the parent company or affiliated companies.

Payables and liabilities, general information
Amounts owed to credit institutions are measured at fair value. The fair value of amounts owed to credit institutions usually corresponds to the nominal value. Other financial liabilities are measured at amortised cost, which usually corresponds to the nominal value in respect of short-term non-interest-bearing payables.

The capitalised residual lease obligation in respect of finance leases is also recognised as liabilities.

Pension obligations
The company has entered into pension agreements and similar agreements with the majority of its employees.

Contributions to defined-contribution schemes under which fixed contributions are paid to independent pension funds on an ongoing basis are recognised in the income statement in the period to which they relate and any contributions payable are recognised in the balance sheet as other payables. When contributions to defined-contribution schemes have been paid, the company has no further obligations to present or former employees.

For defined-benefit schemes, an annual actuarial calculation (Projected Unit Credit Method) is made of the present value of future benefits payable under the defined-benefit scheme. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the company. The actuarial present value less the fair value of any scheme assets is recognised in the balance sheet under pension obligations.

Current service costs are recognised in the income statement based on actuarial estimates and calculated financial expense. Any difference between the expected development in pension scheme assets and liabilities and realised amounts determined at year end constitutes actuarial gains or losses and is recognised directly in equity as other comprehensive income.

If changes in benefits relating to employee services in current and prior years result in changes in the actuarial present value, the changes are recognised as past service costs. Past service costs are recognised immediately, provided that employees have already earned the changed benefits. Otherwise, the past service costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a pension scheme constitutes a net asset, the asset is only recognised if it offsets future refunds from the scheme or will lead to reduced future payments to the scheme.

The company's obligations in respect of defined-benefit schemes constitute obligations towards employees in the Swedish and Norwegian branches.

Notes to the financial statements

Note

Provisions
Provisions for jubilee bonuses and payments on retirement are gradually accumulated over the period of employment. The liability is calculated by taking into account expected staff turnover based on the company's experience.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation.

On measurement of provisions, the expenditure required to settle the obligation is discounted if the amounts fall due more than 12 months after the period in which they are earned. A pre-tax discount rate is used that reflects the current market interest rate level and the risks specific to the obligation.

Deposits with ceding undertakings
Deposits with ceding undertakings include amounts received from reinsurers which have been deposited to cover the liabilities of reinsurers towards the company. Deposits with ceding undertakings are measured at amortised cost, which usually corresponds to the nominal value.

Accruals and deferred income
Accruals and deferred income are measured at cost, equivalent to the measurement made on initial recognition.

Methods for calculating financial ratios
The financial ratios have been calculated in accordance with the he Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). The ratios included in the five year summary have been calculated as follows:

Claims ratio	The relation between claims incurred and earned premiums. Earned premiums are reduced by bonuses and rebates.
Expense ratio	The relation between operating expenses and earned premiums. Earned premiums are reduced by bonuses and rebates. Operating expenses are calculated as the sum of acquisition costs and administrative expenses.
Combined ratio	The sum of the gross claims ratio, the gross expense ratio and the net reinsurance ratio, which shows profit/loss from reinsurance in proportion to gross earned premiums less bonuses and rebates.
Operating ratio	Calculated as the combined ratio, but based on the claims ratio, the expense ratio and the net reinsurance ratio where the allocated investment return has been added to earned premiums in the denominator.
Relative run-off result	The run-off result in relation to the corresponding opening provision.
Return on equity in %	Profit for the year in relation to average equity.
Solvency ratio in %	Capital base less deduction in relation to capital requirement.

Notes to the financial statements

Note

2 Risk information

For Codan Forsikring, as an insurance company and a company accepting risk, it is important that risks are managed in a controlled manner. This requires structured risk management. Risk management covers all situations that could affect the future operation and development of the company.

The Board of Directors is responsible for ensuring that the company is financially strong, taking into account the company's funding needs, liquidity, financial position and generally accepted business practice.

The Board of Directors is ultimately responsible for risk management and internal control, including for setting a framework for risk management and risk control. The company's risk management must permeate the organisation, and efforts are made to ensure accountability and transparency in terms of clear ownership of risks and management of these within the risk appetite framework.

Codan Forsikring operates in accordance with a three lines of defence model. The operative activities make up the first line of defence. Risk and Compliance units constitute the second line of defence, and Internal Audit makes up the third line of defence.

The Risk function ensures that relevant risk information is discussed and addressed by Codan Forsikring's management, with a view to analyse the risk exposure. One of the function's main activities is to build capability as well as challenge and control the risk assessment provided by the first line of defence. The Risk function also monitors the risk management system's maturity in the organisation and suggests developments of the governance in terms of risk, i.e. risk strategy and appetite to be adopted by the Board of Directors. With regard to risks, the Risk function presents independent views to relevant committees, which in turn are challenged and reviewed by the Own Risk & Solvency Assessment committee (ORSA).

The Compliance function serves in a supporting role to ensure that operations are conducted in accordance with applicable rules as well as monitors regulatory compliance.

Internal Audit performs independent risk management assessments on a regular basis in accordance with the agreed Internal Audit Year Plan, and verifies that controls are appropriate for their purpose. Internal Audit reports to the Board of Directors on a quarterly basis.

The Risk organisation changed in Q2 2015 to be comprised of Enterprise Risk Management, Capital and Financial risk, and Compliance. The Compliance function was moved from the Legal function and Insurance Risk was transferred to the Compliance function as to merge all the assurance into one unit.

The Own Risk & Solvency Assessment committee (ORSA) ensures that the CEO and the management on a quarterly basis receive adequately prepared and detailed material as a basis for their respective decisions. The Committee serves as an advisory body and reports to the CEO. The work of the ORSA forms the basis of risk reporting to the Board of Directors.

As an integral part of the reporting, it is monitored whether the exposure is within the risk appetite as defined by the Board of Directors.

Insurance risks
The Underwriting Policy issued by the Board of Directors sets out the risks which the company can accept. This policy clearly describe the risk appetite and the acceptance limits that the Board of Directors is prepared to allocate to the various risks which have been evaluated, priced and accepted by the company's underwriters.

Codan Forsikring builds on underwriting capability as one of the key drivers for delivering sustainable profitable performance. To support the sound implementation of the Underwriting Policy, an underwriting framework outlines the classes and nature of the insurance risks which Codan Forsikring is willing to underwrite, how these are to be priced and the levels of capital that are acceptable to put at risk.

The focus of the Underwriting function is to ensure that premiums charged are sufficient to cover the cost of claims and expenses and provide a suitable margin for delivering a sustainable return for shareholders. Codan Forsikring places major focus on risk selection and risk quality and takes a disciplined approach to pricing in order to meet these objectives. A majority of the customers are offered a premium which is set according to tariffs and risk factors calculated by price actuaries. For major commercial customers, premiums are based on the respective companies' operations and performance history. The authority exercised by the respective underwriters is controlled by a personal underwriting licence based on the underwriter's capabilities.

Codan Forsikring places great emphasis on portfolio management to provide overview to its front-line underwriting activities and ensure that a clear strategy is defined for each class of business and at an aggregate level across the portfolio. Each portfolio manager/product director reviews and communicates an annual Portfolio Strategy Statement. It outlines the direction of the portfolio, establishes a clear underwriting risk appetite and sets clear financial targets for the coming year. As part of Codan Forsikring's Risk Management Framework, the portfolio manager/product director makes assessments against a standard set of KPIs on a quarterly basis. These are reported by the Underwriting function to the Board of Directors in an effort to monitor portfolio performance, identify areas of interest and plan risk mitigation actions.

Codan Forsikring's ability to underwrite a diversified portfolio of business is another key control in relation to insurance risk. An annual operational business plan is adopted by the Board of Directors. This plan lays out the operating targets for each line of business, insurance classes within which insurance may be underwritten and in which geographical areas and sectors Codan Forsikring is willing to underwrite contracts. The plan also stipulates quantitative maximum limits of exposure in various risk areas. The business plan is implemented in the organisation via Portfolio Strategy Statements and underwriting guidelines issued to the company's underwriters.

In order to ensure that tariffs remain updated and are positioned to deliver the results set out in Codan Forsikring's business plan, dedicated personal and commercial pricing teams follow a structured pricing process. The pricing and portfolio management teams interact and challenge each other to ensure a clear link between portfolio strategy and pricing actions. All insurance contracts have terms with limits specified in the authority delegated by the Board of Directors. All insurance contracts are written for specified terms. The ability to alter the terms of a contract is controlled via the Delegated Authority Framework. All policies have a built-in right for the company to decline a renewal or to amend the terms and conditions in connection with renewal. Exceptions are handled through Executive Licence Extensions or Special High Risk Licences.

Codan Forsikring reviews its accepted insurance risk on a regular basis and assesses these in relation to the company's underwriting, reinsurance and capital policies.

Insurance risk concentration
Risk limitation is also conducted through reinsurance. Insurance business is by nature exposed to major fluctuations. By ceding business to reinsurers, the consequences of very large claims can be limited, and the size of exposures can thus be managed and the company's equity protected. Codan Forsikring's own costs per claim event, its net retention and the upper limit to which the reinsurance protection covers costs per claim event vary from product to product. The amount of net retention is decided by the Board of Directors for the various types of insurance risks. The level is reviewed annually by the Board of Directors to ensure that it is acceptable.

Insurance risk is concentrated in Denmark, Sweden and Norway, from where most of Codan Forsikring's premium income derives.

To ensure that Codan Forsikring's exposure to underwriting risk and its capital base remain appropriate, a structured reinsurance programme is in place to protect the company against large losses on individual risks as well as catastrophe events such as weather-related events. Codan Forsikring is included in the Codan Group's overall reinsurance programme.

Note

Non-catastrophe risks
Codan Forsikring's reinsurance program for 2016 was primarily an excess of loss programme with a maximum retention of DKK 100 million for any one risk (SEK 125 million for the Swedish branch), in respect of buildings, contents and business interruption insurance. The retention for personal accident claims was DKK 100 million, DKK 25 million (SEK 30 million for the Swedish branch) for liability and DKK 30 million (SEK 40 million for the Swedish branch) for motor third party liability claims. In respect of Renewable offshore Energy sector the retention was USD 25 million.

In respect of Marine Hull business Codan Forsikring has a 100% Quota Share for claims related to insurance contracts written in 2016. Hence, claims occurring in 2016 related to an insurance contract written in 2015 or before will be covered with a retention of USD 15M whereas claims occurring on policies written during 2016 will be covered on the Quota Share. The 2016 Quota Share Treaty is placed with RSA Insurance Ltd and is placed on market terms and Codan Forsikring receives commission. All other reinsurance contracts are purchased on a Scandinavian or global basis, thereby reducing costs.

The Codan Group offers its customers insurance cover for terrorist attacks, and the risk is reinsured both on a per risk and a per event basis. The Codan Group offers different limits of liability for terrorist attacks in the various regions but always within the company's reinsurance limit. If additional cover is needed, the Codan Group will purchase additional cover in the reinsurance market. In Denmark, a Nuclear, Biological, Chemical and Radioactive (NBCR) Pool is in place, whereas in the other regions this peril is excluded in the original policies. Predicting the number of claims arising from such events still poses a challenge, but the objective of the Codan Group is to control the allocation of resources to the individual risk.

Storm and catastrophe risk
Codan Forsikring has together with other companies in the RSA Group taken out reinsurance cover for catastropheevents. In respect of natural disaster, reinsurance cover for a once-in-200-years event has been purchased, with a combined RSA Group retention of GBP 25 million. The same reinsurance programme will cover property claims where more than one risk is involved in a non natural perils loss event.

For personal accident and life catastrophe events of a sudden nature, like a ferry accident or a tsunami, Codan Forsikring has a shared reinsurance contract with the rest of the Codan Group companies. In 2016, the maximum net retention for Codan Forsikring was DKK 100 million per event.

Reinsurance contracts are associated with a certain level of credit risk. This is described in more detail under the section on financial risks below. Reinsurers' creditworthiness is monitored on a regular basis to ensure that the contracted reinsurance cover is maintained.

Reserving risk
Reserving risk, i.e. the risk that technical provisions will not be sufficient to settle incurred claims, is managed primarily through actuarial methods and through careful, continuous monitoring of reported claims.

The documentation for determining the level of provisions to cover future risks is based on Codan Forsikring's experiences and generally accepted actuarial techniques for estimating provisions. Codan Forsikring uses numerous statistical methods and analyses to determine the likely outcome of future claims payments. These methods and analyses are affected by the uncertainty that exists in estimating future payments while taking into account the amount and date of payment.

Claims trends and reserve levels are reviewed quarterly and form the documentation for reserve reporting. The Reserve Committee reviews the reserve methodology and monitors the development of reserves. The Reserve Committee, which is chaired by the CFO, serves in an advisory role, reports to the CEO and meets at least once every quarter.

Notes to the financial statements

Note

Financial risk

Market risks and investment strategy
The company's investment strategy is balanced to achieve a number of goals and to ensure compliance with laws and regulations.

Through close internal and external portfolio management and control, the aim is to maximise the return while at the same time ensuring:

- Legislative and risk compliance
    - Ensuring that investments are in compliance with the investment rules set out in legislation
    - Ensuring full compliance with the Investment Policy laid down by the Board of Directors
    - Ensuring that the exposure of the investment portfolio is within the limits set

- Operational efficiency
    - Ensuring that liability cash flows are reflected in the structure of the investment portfolio
    - Ensuring that an investment management policy has been adopted
    - Ensuring cost control

Investment management
Codan Forsikring has chosen an outsourcing strategy for managing its investments. External portfolio managers have been approved by the Board of Directors, and their investment authority is subject to Codan Forsikring's Investment Policy laid down by the Board of Directors. The primary part of the portfolio is managed by external portfolio managers.

Codan Forsikring's Investment Policy lays down criteria for limiting and managing risks relating to individual investments and for concentration of risks. The Investment Committee monitors compliance with the investment strategy. The Committee serves in an advisory role, reports to the CEO, and meets at least once every quarter and when required by circumstances.

Liquidity and interest rate risk
The majority of Codan Forsikring's investments are in liquid listed bonds. Codan Forsikring maintains a conservative investment policy with a large share of the portfolios consisting of government bonds and highly rated securities.

Codan Forsikring's short-term liquidity is monitored through ongoing cash management. Long-term cash management is handled through ALM (Asset Liability Management).

Changes in interest rates are among the risk factors which affect Codan Forsikring's financial risks. A significant aspect of Codan Forsikring's risk management is to have a portfolio of fixed-income securities that acceptably balances the opposing profit and loss effects of interest rate movements on assets and liabilities.

The company's exposure with respect to fixed income assets and various liabilities is shown in the table below.

Notes to the financial statements

Note

Contractual repricing or maturity dates **DKK million**

2016	< 1 year	1-2 years	2 - 3 år	3-4 years	4-5 years	> 5 years	Total
Danish government bonds	996.9	-	867.2	-	337.0	-	**2,201.1**
Danish fixed rate mortgage bonds	461.7	961.3	244.4	53.6	355.4	2,510.5	**4,586.9**
Danish floating rate mortgage bonds	537.2	-	-	-	-	-	**537.2**
Other Danish bonds	437.4	-	-	-	-	159.1	**596.5**
Swedish government bonds	883.5	-	1,485.5	1,494.9	-	1,694.6	**5,558.5**
Swedish fixed rate mortgage bonds	276.8	2,509.3	231.8	2,457.4	1,578.5	2,666.2	**9,720.0**
Other Swedish bonds	94.5	-	-	542.1	-	-	**636.6**
Other European bonds	733.1	457.9	557.5	1,503.5	773.1	4,773.9	**8,799.0**
Norwegian floating rate mortgage bonds	155.9	-	-	-	-	-	**155.9**
US bonds	-	122.4	-	35.7	-	-	**158.1**
Other loans, deposits with credit institutions, call deposits, etc.	695.2	-	-	-	-	-	**695.2**
Other	0.9	-	-	-	-	81.3	**82.2**
Receivables from Group entities	1,366.1	-	-	-	-	-	**1,366.1**
Financial assets	**6,639.2**	**4,050.9**	**3,386.4**	**6,087.2**	**3,044.0**	**11,885.6**	**35,093.3**
Amounts owed to Group entities	57.1	-	-	-	-	-	**57.1**
Lease payables	10.6	2.5	1.0	-	-	-	**14.1**
Financial liabilities	**67.7**	**2.5**	**1.0**	**-**	**-**	**-**	**71.2**

Notes to the financial statements

Note

Contractual repricing or maturity dates	DKK million						
2015	**< 1 year**	**1-2 years**	**2 - 3 år**	**3-4 years**	**4-5 years**	**> 5 years**	**Total**
Danish government bonds	-	1,036.7	-	887.3	-	335.9	**2,259.9**
Danish fixed rate mortgage bonds	1.8	660.2	1,032.2	747.0	-	1,842.2	**4,283.4**
Danish floating rate mortgage bonds	300.2	-	-	-	-	-	**300.2**
Other Danish bonds	71.1	448.1	-	-	-	156.8	**676.0**
Swedish government bonds	617.8	957.3	-	1,595.2	1,580.8	1,859.5	**6,610.6**
Swedish fixed rate mortgage bonds	405.3	305.3	2,662.2	524.2	2,664.8	2,291.5	**8,853.3**
Other Swedish bonds	-	102.5	-	-	1,105.2	-	**1,207.7**
Other European bonds	693.4	884.0	420.6	582.0	1,574.2	3,736.2	**7,890.4**
Norwegian floating rate mortgage bonds	349.5	-	-	-	-	-	**349.5**
US bonds	2.8	12.2	104.7	-	34.3	-	**154.0**
Other loans, deposits with credit institutions, call deposits, etc.	1,036.2	-	-	-	-	-	**1,036.2**
Other	3.5	-	-	-	-	8.0	**11.5**
Receivables from Group entities	1,355.8	-	-	-	-	-	**1,355.8**
Financial assets	**4,837.4**	**4,406.3**	**4,219.7**	**4,335.7**	**6,959.3**	**10,230.1**	**34,988.5**
Amounts owed to Group entities	26.0	-	-	-	-	-	**26.0**
Lease payables	12.1	7.4	0.4	-	-	-	**19.9**
Financial liabilities	**38.1**	**7.4**	**0.4**	**-**	**-**	**-**	**45.9**

The table below shows the effective interest rate and duration of financial assets and liabilities at 31 December.

	Effective interest rates		**Duration**	
	2016	**2015**	**2016**	**2015**
Financial assets				
Danish government bonds	-1.9	-1.2	2.3	3.1
Danish mortgage bonds	0.1	1.3	2.5	2.8
Other Danish bonds	1.5	1.4	2.0	2.9
Swedish government bonds	0.0	0.4	6.1	5.8
Swedish mortgage bonds	0.4	1.0	4.1	4.2
Other Swedish bonds	0.9	1.2	5.3	4.3
Norwegian bonds	1.0	1.4	3.6	3.3
Other European bonds	1.0	1.4	6.6	6.8
US bonds	0.8	1.0	2.9	3.5
Other global bonds	0.3	0.7	3.6	4.0
Receivables from Group entities	0.8	1.8		
Financial liabilities				
Amounts owed to Group entities	0.0	0.0		

Notes to the financial statements

Note

Currency risk

Currency risk may arise as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If currency exposure is outside certain defined limits, it is minimised through currency derivatives. Codan has a large net exposure to SEK through one of its branches which, however, mitigates this risk through the use of FX forward contracts. Apart from the investments in subsidiaries and branches, Codan Forsikring's net exposure to currency risk is limited, as the company's strategy for managing currency risk is to ensure that the assets match the currency of the corresponding liabilities.

The company's most significant currency exposures are detailed in the table below (stated in DKK).

Currency risk DKK million	2016					
	USD	SEK	GBP	EUR	NOK	Other currency
Financial assets						
Interests in associates	-	19.3	-	-	-	-
Equity investments	92.2	0.3	-	1,065.1	-	238.5
Units in open-ended funds	-	183.0	-	756.6	-	-
Bonds	538.6	21,181.6	444.6	1,567.5	1,171.6	15.3
Other loans, deposits with credit institutions, call deposits, etc.	7.2	361.2	11.1	35.1	209.2	3.5
Derivative asset	-	519.5	-438.2	-1,486.9	0.4	-
Intangible assets	-	445.4	-	-	13.3	-
Property and equipment	-	30.3	-	-	0.8	-
Receivables from policyholders, brokers and insurance companies	52.2	2,200.5	57.8	418.9	364.4	0.1
Receivables from Group entities	-	98.9	5.9	-3.6	12.1	-
Other receivables	0.1	147.3	-	0.1	0.3	-
Assets held for sale	-	2.3	-	-	-	-
Current tax asset	-	249.6	-	-	-	-
Deferred tax assets	-	150.1	-	-	153.2	-
Prepayments and accrued income	1.5	261.3	2.9	60.9	19.6	-
Reinsurers' share of insurance contract provisions	224.4	567.5	53.4	103.6	44.9	0.2
Financial liabilities						
Payables arising from direct insurance and reinsurance	-25.2	-42.4	-11.1	-68.2	-16.6	-
Amounts owed to Group entities	-	-	-	-	-	-
Provisions	-	-92.0	-	-	-5.1	-
Other payables	-5.3	-2,946.4	-0.1	-7.2	-106.6	-0.1
Accruals and deferred income	-	-111.1	-	-	-23.0	-
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	352.4	-	-	-	-
Insurance liabilities	-580.6	-19,302.9	-239.1	-1,064.6	-1,349.1	-13.2
Currency risk	**305.1**	**4,275.7**	**-112.8**	**1,377.3**	**489.4**	**244.3**

Notes to the financial statements

Note

Currency risk DKK million	**2015**					
	USD	**SEK**	**GBP**	**EUR**	**NOK**	**Other currency**
Financial assets						
Interests in associates	-	19.0	-	-	-	-
Equity investments	53.4	0.4	-	1,052.2	-	254.5
Units in open-ended funds	-	105.3	-	714.9	-	-
Bonds	600.5	21,195.2	-	1,551.4	1,615.8	-
Other loans, deposits with credit institutions, call deposits, etc.	20.8	448.7	34.1	158.4	176.3	15.0
Derivative assets	-	-1,814.4	-	-	-	-
Intangible assets	-	475.7	-	-	12.5	-
Property and equipment	-	17.3	-	1.4	1.5	-
Receivables from policyholders, brokers and insurance companies	138.8	2,147.5	26.6	633.1	331.9	2.5
Receivables from Group entities	-73.1	632.8	-9.7	60.9	2,288.1	-4.3
Other receivables	0.1	153.5	-	0.1	2.5	-
Assets held for sale	-	2.5	-	-	-	-
Current tax assets	-	218.5	-	-	-	-
Deferred tax assets	-	-	-	-	149.0	-
Prepayments and accrued income	1.4	323.5	-	11.4	29.2	-
Reinsurers' share of insurance contract provisions	591.8	318.0	194.3	76.5	19.4	9.0
Financial liabilities						
Payables arising from direct insurance and reinsurance	38.7	-28.6	-13.2	-73.3	-7.7	-
Amounts owed to Group entities	13.2	-565.5	2.2	-79.3	-2,273.2	-
Provisions	-	-144.8	-	-	-9.5	-
Other payables	-4.6	-1,287.6	-0.3	-1.1	-105.6	-
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-92.4	-	-	-	-
Insurance liabilities	-989.8	-20,209.7	-413.0	-1,043.0	-1,500.8	-30.9
Currency risk	**391.2**	**1,914.9**	**-179.0**	**3,063.6**	**729.4**	**245.8**

Equity risk
Codan Forsikring has chosen to place a small share of its investments in equity investments, thereby limiting the company's equity risk. Codan Forsikring has less than 6.2% of its other financial assets invested in equities.

Inflation risk
A significant part of technical provisions in Codan's subsidiaries is index-linked, and Codan is consequently exposed to inflation through its subsidiaries. The inflation exposure is to some extent reduced by investments in inflation-linked assets. Further, investments in short-dated nominal bonds, cash products, equity and property (where rent is indexed with inflation) also provide some protection against inflation. Further, inflation derivatives are used to limit this risk.

Credit risk
Codan Forsikring has a policy for receivables from policyholders and reinsurers. In accordance with this policy, reinsurance contracts are only concluded with selected sound reinsurers in order to reduce the credit risk. The credit risk relating to reinsurers is monitored continuously. For a reinsurer to be considered, a rating of at least A (Standard & Poor's) or the equivalent is normally required. This minimum standard is

Notes to the financial statements

Note

set out in the Board of Directors' guidelines, and quarterly reports are submitted to the Board of Directors for the purpose of monitoring and evaluating the exposure.

Credit risk relating to investments
Codan Forsikring's investment portfolio primarily consists of AAA-rated government and mortgage bonds. European corporate bonds with a lower rating are also included in the investment portfolio must have a credit rating of at least BBB. Furthermore, Codan Forsikring has a minor exposure to unrated loans via funds. These investments are made to achieve a higher return and build a more diversified investment portfolio.

The credit quality of Codan Forsikring's bond portfolio based on S&P ratings is shown in the following table:

Rating	**DKK million**	**2016**	**2015**
AAA		28,194.9	28,794.7
AA		2,186.9	1,578.6
A		1,455.0	1,482.3
BBB		776.5	538.4
Non-rated		336.5	191.0
Bonds		32,949.8	32,585.0

The maximum exposure to credit risk is shown in the table below.

Credit risk is defined as the risk of failure to meet contractual payment obligations and negative developments in credit rating.

Maximum credit risk	**DKK million**	**0**	**2016**
Danish government bonds		2,201.1	2,259.9
Danish fixed rate mortgage bonds		4,586.9	4,283.4
Danish floating rate mortgage bonds		537.2	300.2
Other Danish bonds		596.5	676.0
Swedish government bonds		5,558.5	6,610.6
Swedish fixed rate mortgage bonds		9,720.0	8,853.3
Other Swedish bonds		636.6	1,207.7
Other European bonds		8,799.0	7,890.4
Norwegian floating rate mortgage bonds		155.9	349.5
US bonds		158.1	154.0
Other loans, deposits with credit institutions and call deposits, etc.		695.2	1,036.2
Other		82.2	11.5
Deposits with ceding undertakings		4.0	4.5
Reinsurers' share of provision for unearned premiums		211.2	170.1
Reinsurers' share of provision for claims		919.6	1,618.4
Receivables from policyholders		1,427.3	1,624.1
Receivables from brokers		70.9	62.6
Receivables from insurance companies		110.4	202.1
Receivables from Group entities		1,366.1	1,355.8
Other receivables		175.5	199.2
Current tax assets		256.4	252.5
Accrued interest and rent		385.9	398.4
Maximum credit risk		**38,654.5**	**39,520.4**

Notes to the financial statements

Note

Spread risk
Codan Forsikring has a large part of its bond portfolio invested in mortgage- and corporate bonds. These bonds are associated with credit spread risk as the credit spread over government yields can fluctuate. This credit spread risk is managed by having well-defined risk appetite statements and investment limits to credit exposure.

Operational risks
Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events.

Codan Forsikring focuses on maintaining good internal control, among other things through suitable routines and instructions, clearly defined responsibilities and division of duties between employees, IT support with automated reconciliation, controls and authorisation systems, and internal information and reporting processes to meet the management's requirements for information on the company's risk exposure.

Responsibility for management of risks rests with the risk owner in the relevant business function. It is the risk owners' responsibility to assess and report to Risk Management function on the size and nature of the risks and related controls, with the supporting rationale of the assessments including gauging against prevailing risk appetite. The information is reported periodically to the Own Risk & Solvency Assessment committee (ORSA) and subsequently provided to the Board of Directors with risk reporting.

Compliance risk
Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation the undertaking may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to the activities.. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Codan focuses on maintaining good internal control by appropriate routines and instructions and clearly defined roles and responsibilities for the employees. The Compliance function follows up that the business remains compliant. The day-to-day responsibility to manage compliance risk lies with the risk owners in the respective businesses. It is the responsibility of the risk owner to evaluate and manage the risk, with support from the Compliance function, which deliver quarterly reports on compliance risks to the Board of Directors, and the CEO.

The ultimate responsibility of the business remaining compliant lies with the Board of Management and the Board of Directors.

Emerging risk
Emerging risks are identified in risk assessment workshops with each business function with input from industry surveys and reports, and reported to the Board of Directors and Own Risk & Solvency Assessment Committee (ORSA) on a quarterly basis.

Sensitivity analysis
Codan Forsikring uses a number of sensitivity or stress test-based risk management tools to understand the impact on the company's results and financial position in both normal and stressed market conditions. The table below shows the impact of various factors on the company's earnings, and consequently also its equity.

Notes to the financial statements

Note

Sensitivity analysis:

Impact on equity	**DKK million**
Occurrence:	**2016**
0.7-1.0 percentage point increase in interest rates	-85.1
0.7-1.0 percentage point decrease in interest rates	-194.1
12.0 per cent fall in share prices	-283.1
8.0 per cent fall in property prices	-1.0
Currency risk (Value-at-risk 99.0)	-137.1
Counterparty losses of 8.0 per cent (credit and counterparty risk)	-423.1

Capital and solvency
Codan Forsikring calculates and monitors capital measures. Capital measures include accounting equity, own funds, and capital requirements as set out in the Danish Financial Supervisory Authority regulation and the Solvency II regulation. The solvency capital requirement is calculated using an internal model, and is stress tested using, for example, sensitivity testing and stress & scenario testing.

The available own funds is calculated as the difference between the eligible assets and liabilities. Eligible assets and liabilities are determined by the applicable rules for each evaluation basis. The own funds calculated in accordance with the rules of the Danish Financial Supervisory Authority, is set out in Note 21.

The Board of Directors has established two warning levels, red and amber, for the size of the held capital. If the red or amber level is reached, the Board of Directors must be notified immediately. The amber level is intended to alert the management and allow for the capital contingency plan to be enacted ensuring that the red level is not reached. The level for the amber alert is based on an overall risk assessment. The red level is set such that it is intended to give the management sufficient time to take the necessary actions to avoid breaching the solvency capital requirement.

The Board of Directors has laid down directions for registration of assets needed to cover the technical provisions and specified a minimum and maximum excess cover. In addition, a required excess cover based on the risk of the current technical provisions is calculated monthly.

Codan Forsikring continuous monitors the above-mentioned capital measures. As a tool in this process, a Capital Scorecard is used which is being reported to the Board of Directors and an advisory Capital Management Committee. All capital requirements are currently met.

Dividend potential
When the distribution of profits is determined, the above-mentioned risks and capital position form part of the assessment as to whether dividends can be distributed in accordance with the Danish Financial Business Act and the Companies' Act.

Notes to the financial statements

Note **DKK million**

3 **Key figures and financial ratios**

Five year summary	**2016**	**2015***	**2014**	**2013****	**2012****
Gross earned premiums	15 672,7	15 923,8	16 497,9	16 795,0	16 533,8
Gross claims incurred	-9 958,3	-10 942,1	-11 708,7	-11 224,1	-12 003,9
Total operating expenses	-3 015,9	-3 181,6	-3 490,3	-3 269,5	-3 063,0
Profit/loss from reinsurance	-451,2	-500,5	-310,1	-318,2	-323,4
Balance on the technical account	2 167,2	1 212,3	919,4	1 904,5	1 039,7
Total investment return after return on and value adjustment on technical provisions	770,5	-641,3	999,3	-91,8	1 519,5
Profit for the year	2 277,7	411,5	2 100,7	1 468,4	1 956,7
Run-off gain/loss, net of reinsurance	987,3	377,5	103,6	1 347,8	131,6
Total technical provisions	31 274,7	32 239,2	31 561,9	32 160,3	34 421,3
Total insurance assets	1 130,8	1 788,5	2 340,0	3 416,4	3 837,3
Total equity	8 791,3	9 354,0	12 687,9	13 485,2	12 545,4
Total assets	43 401,0	44 125,8	48 261,3	49 571,2	51 314,3
Financial ratios					
Gross claims ratio	63,9	71,3	71,3	67,1	73,1
Gross expense ratio	19,3	20,4	21,2	19,5	18,6
Combined ratio	86,1	95,0	94,4	88,6	93,7
Operating ratio	86,1	95,0	94,2	88,5	95,0
Relative run-off result	4,1	1,6	0,5	5,6	0,5
Return on equity in %	22,9	3,6	15,8	11,3	15,6
Solvency ratio - Solvency II	215,0	212,0	-	-	-
Solvency ratio - Solvency I		344,0	318,0	320,0	378,0

* Key figures and financial ratios have been restated to reflect the change in accounting policy (2012-2014 not restated).
** Key figures and financial ratios have been restated to reflect the merger with Trygg-Hansa Försäkrings AB.

Solvency ratio – Solvency II for 2016 and 2015 is based on Solvency II calculation method (Internal Model) and ratio of eligble own funds to SCR. The financial ratio “Solvency ratio – Solvency II” is exempted from audit according to appendix 9 in the executive order no. 937 of July 27th 2015 and is therefore not audited.

Solvency ratio - Solvency I are in 2012-2015 the ratio between the base capital solvency margin calculated using the Solvency I calculation method. The ratios are audited.

Notes to the financial statements

Note	DKK million	2016	2015
4	**Gross earned premiums**		
	Gross premiums written	15,662.5	16,377.6
	Change in the provision for unearned premiums, gross	108.0	-430.6
	Gross earned premiums	**15,770.5**	**15,947.0**
	Gross earned premiums from direct insurance by geographical location of the risk:		
	Denmark	4,432.7	4,498.8
	Other EU countries	9,603.3	9,424.8
	EEA countries	1,534.9	1,738.7
	Other countries	1.2	7.6
	Direct insurance	15,572.1	15,669.9
	Gross earned premiums from indirect insurance:		
	General insurance	198.4	277.1
	Indirect insurance	198.4	277.1
	Gross earned premiums	**15,770.5**	**15,947.0**
5	**Claims incurred, net of reinsurance**		
	Claims incurred include the following run-off results:		
	Run-off loss/gain, gross	1,016.8	549.2
	Run-off loss, ceded business	-29.5	-171.7
	Run-off gain, net of reinsurance	**987.3**	**377.5**

For 2016 the overall positive run off relates primarily to the Danish portfolio where personal lines motor and commercial lines, excluding workers compensation, had significant positive run off. The Swedish business overall saw slightly unfavourable run off driven by personal accident.

Notes to the financial statements

Note	DKK million	2016	2015
6	**Net operating expenses**		
	Staff costs:		
	Wages and salaries	-1,699.9	-1,852.4
	Defined contribution schemes	-258.9	-272.1
	Other social security costs	-244.5	-267.9
	Payroll tax	-124.5	-123.0
	Share-based payment costs	-9.3	-21.0
	Employment agency costs	-54.8	-65.2
	Other staff costs	-80.8	-86.2
		-2,472.7	-2,687.8
	Commissions, underwriters and brokers	-494.0	-518.2
	Commissions, other insurance companies	-18.3	-17.9
	Depreciation	-192.2	-197.4
	Rent	-119.0	-128.3
	Other acquisition costs and administrative expenses	59.7	167.8
	Reimbursements from Group entities	220.6	200.2
	Reinsurance commissions and profit participation	46.8	30.5
	Net operating expenses	**-2,969.1**	**-3,151.1**
	Total payroll costs, including commissions to tied agents, in respect of direct insurance	-1,762	-1,936

Converted into full-time employees, the average number of persons employed during the financial year was 3.214 persons (3.388 persons in 2015).

	2016	2015
Fees to the company's auditor:		
KPMG prior year	-1.4	-1.5
KPMG current year	-8.5	-6.8
Remuneration, statutory audit	**-9.9**	**-8.3**
KPMG current year	-0.4	-0.1
Remuneration, other assurance engagements	**-0.4**	**-0.1**
Remuneration of the company's auditor	**-10.3**	**-8.4**

In addition to the above remuneration, costs have been paid in respect of the company's Internal Audit Department.

Notes to the financial statements

Note	DKK million	2016	2015
6	**Net operating expenses (continued)**		
	Earned remuneration to current and former members of the Board of Directors and Board of Management of Codan Forsikring:		
	Remuneration of the Board of Directors (fixed remuneration)		
	Member of the Board of Directors:		
	Lars Nørby Johansen (joined 27 April 2012)	-0.7	-0.7
	Anthony Piers Latham (joined 14 April 2014)	-0.6	-0.6
	Gunilla Astrid Henriette Asker (joined 1 September 2016)	0.1	-
	Christer Arne Bjellert (joined 29 April 2015)	-0.2	-0.2
	Scott Egan (joined 27 April 2016)	-	-
	Marianne Phillip (joined 29 April 2011)	-0.4	-0.4
	Maria Elisabeth Sandblom (joined 29 April 2015)	-0.2	-0.2
	Christian Sletten (joined 4 May 2000)	-0.2	-0.2
	Derek Walsh (resigned 26 February 2016)	-	-
	Gavin Wilkinson (resigned 27 April 2016)	-	-
	Remuneration to the Board of Directors	**-2.2**	**-2.3**
	Remuneration of the Board of Management:		
	Wages and salaries (fixed remuneration)	-8.5	-9.7
	Bonuses (variable remuneration)	-2.2	-1.1
	Pension benefits (fixed remuneration)	-1.7	-2.1
	Share-based payments (variable remuneration)	-1.4	-1.5
	Remuneration of the Board of Management	**-13.8**	**-14.4**
	CEO Patrick Bergander	-9.0	-7.0
	EO Vivian Lund	-2.5	-
	Former CFO Stig Pastwa	-2.3	-2.7
	Former CEO Vibeke Krag	-	-4.7
	Remuneration to the Board of Management	**-13.8**	**-14.4**
	Number of employees in the Board of Management at 31 December	**2**	**2**

The company provides car, telephone and health insurance to the Board of Management. The taxable income hereof is included in the numbers above.

		2016	2015
	Employees with material influence on the company's risk profile:		
	Wages and salaries (fixed remuneration)	-59.1	-42.4
	Bonuses (variable remuneration)	-7.6	-4.1
	Pension benefits (fixed remuneration)	-10.4	-6.8
	Share-based payments (variable remuneration)	-12.6	-7.5
	Remuneration of employees with material influence on the company's risk profile	**-89.7**	**-60.8**
	Numbers of employees with material influence on the Company's risk profile	**44**	**44**

Remuneration to the Board of Management, Board of Directors and employees with influence on the Company's risk profile are allocated between Codan A/S and Codan A/S's subsidiaries. The specification above contains the total remuneration.

Notes to the financial statements

Note

6 **Net operating expenses (continued)**

Members of the Board of Directors employed by RSA Group do not receive Board fees. The Board member Scott Egan is an Executive Director in RSA Insurance Group and his total remuneration for 2016 was 12.289 kDKK. Other Board members employed in RSA Group do not have any Executive Directorship posts within the Group entity.

Fixed remuneration includes fixed cash salary, fixed salary shares in parent company and other benefits.

Bonuses are linked to the bonus earned in 2016 but paid in 2017.

The Board of Management participates in a number of incentive schemes. For further evaluation, see note 30.
The Board of Directors do not participate in incentive schemes as a result of their board duties at Codan Forsikring.

Notes to the financial statements

Note	2016	DKK million		
7	**Balance on the technical account, general insurance**			

Balance on the technical account for general insurance in 2016 by line of business:	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
Gross premiums written	2,833.8	593.7	590.1	1,314.9
Gross earned premiums	2,802.5	603.1	587.8	1,385.4
Gross claims incurred	-2,282.6	-422.8	-441.3	-191.3
Bonuses and rebates	-0.2	-	-	0.8
Operating expenses, gross	-338.5	-169.4	-137.9	-268.6
Profit/loss from reinsurance	-12.0	-0.8	-11.9	-45.9
Balance on the technical account	169.2	10.1	-3.3	880.4
Number of claims paid	109,363	32,361	8,981	78,483
Average claims paid in DKK million	20.9	13.1	49.1	2.4
Claims frequency	6.1%	22.8%	29.8%	7.8%

	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
Gross premiums written	3,358.2	426.9	2,632.1	2,908.9
Gross earned premiums	3,293.4	450.6	2,611.2	3,065.5
Gross claims incurred	-2,134.1	-249.3	-1,747.4	-2,084.9
Bonuses and rebates	-14.4	-4.3	-21.2	-36.3
Operating expenses, gross	-705.7	-108.6	-453.1	-620.8
Profit/loss from reinsurance	-4.1	-8.9	-23.3	-205.2
Balance on the technical account	435.1	79.5	366.2	118.3
Number of claims paid	263,924	7,397	184,357	24,322
Average claims paid in DKK million	8.1	33.7	9.5	85.7
Claims frequency	15.5%	21.2%	21.2%	5.7%

	Liability	Tourist Assistance	Other insurance	Total general insurance
Gross premiums written	592.4	214.7	196.8	15,662.5
Gross earned premiums	470.2	204.8	198.2	15,672.7
Gross claims incurred	-164.3	-188.3	-52.1	-9,958.4
Bonuses and rebates	-1.3	-3.1	-	-80.0
Operating expenses, gross	-102.3	-44.5	-66.5	-3,015.9
Profit/loss from reinsurance	-39.5	-0.1	-99.5	-451.2
Balance on the technical account	162.8	-31.2	-19.9	2,167.2
Number of claims paid	7,375	27,964		744,586
Average claims paid in DKK million	22.3	6.7		13.4
Claims frequency	12.5%	104.4%		12.0%

Gross earned premiums from non-proportional indirect general insurance amount to DKK 0.

*) Tourist assistance include collective insurance contract.

Notes to the financial statements

Note	2015	DKK million		

7 Balance on the technical account, general insurance (continued)

Balance on the technical account for general insurance in 2015 by line of business:	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
Gross premiums written	2,897.5	581.9	624.6	1,429.7
Gross earned premiums	2,863.3	575.9	630.0	1,480.6
Gross claims incurred	-2,685.5	-441.0	-562.6	-921.8
Bonuses and rebates	-1.6	-	-	0.3
Operating expenses, gross	-413.2	-166.0	-135.4	-309.4
Profit/loss from reinsurance	-15.3	-0.5	-0.2	-23.3
Balance on the technical account	-252.4	-31.5	-68.2	226.3
Number of claims paid	109,624	35,735	9,445	72,555
Average claims paid in DKK million	24.5	12.3	59.6	12.7
Claims frequency	6.1%	26.6%	35.5%	6.6%

	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Contents (Commercial)
Gross premiums written	3,393.4	516.2	2,650.6	3,258.6
Gross earned premiums	3,345.1	535.6	2,636.5	2,883.2
Gross claims incurred	-2,109.6	-550.6	-1,736.6	-2,008.2
Bonuses and rebates	-23.7	-2.2	-26.0	-19.4
Operating expenses, gross	-738.4	-120.4	-465.3	-613.3
Profit/loss from reinsurance	-6.4	-5.5	-20.1	-360.5
Balance on the technical account	467.1	-143.3	388.4	-118.2
Number of claims paid	278,897	8,552	184,740	25,647
Average claims paid in DKK million	7.6	64.4	9.4	78.3
Claims frequency	21.6%	29.8%	19.9%	7.9%

	Liability	Tourist Assistance*	Other insurance	Total general insurance
Gross premiums written	514.9	302.6	207.3	16,377.6
Gross earned premiums	510.0	255.8	207.3	15,923.2
Gross claims incurred	-418.2	-248.1	-41.7	-11,723.9
Bonuses and rebates	-0.6	-15.3	1.2	-87.3
Operating expenses, gross	-122.2	-36.1	-61.8	-3,181.6
Profit/loss from reinsurance	-13.0	-0.1	-21.1	-466.1
Balance on the technical account	-44.0	-43.8	83.9	464.3
Number of claims paid	9,612	21,036		755,914
Average claims paid in DKK million	43.5	11.8		15.5
Claims frequency	19.2%	106.4%		13.0%

Gross earned premiums from non-proportional indirect general insurance amount to DKK 0.

*) Tourist assistance include collective insurance contract.

Notes to the financial statements

Note	DKK million	2016	2015

7 **Balance on the technical account, general insurance (continued)**

The average claims paid are calculated as claims costs for the year relative to the number of claims paid and are therefore affected by run-off gains and losses.

The claims frequency is calculated as the number of claims paid relative to the average number of insurance contracts in the period, cf. the guidelines issued by the Danish Financial Supervisory Authority.

8 **Interest income and dividends, etc.**

Interest income from Group entities	8.3	22.2
Interest income from bonds, loans and deposits	971.3	1,012.0
Non-taxable interest income	0.4	0.3
Income from units in open-ended funds and other equity investments	100.3	80.3
Other interest income	7.2	14.0
Interest income and dividends, etc.	**1,087.5**	**1,128.8**

9 **Value adjustments**

Group occupied properties	-	-0.6
Equity investments	61.4	47.7
Units in open-ended funds	13.5	-3.9
Bonds	337.2	-1,156.8
Other loans	87.4	-78.0
Other investment assets	175.2	3.9
Total investments	**674.7**	**-1,187.7**
Value adjustments and other unrealised gain and losses	-85.2	-7.1
Value adjustments	**589.5**	**-1,194.8**

Realised gains and losses on investments	111.4	-82.6
Unrealised gains and losses on investments	563.3	-1,105.1
Other realised gains and losses	-47.6	12.5
Value adjustments and other unrealised gains and losses	-37.6	-19.6
Value adjustments	**589.5**	**-1,194.8**

10 **Other expenses**

Impairment of goodwill	-	-64.6
Other expenses	**-**	**-64.6**

Notes to the financial statements

Note	DKK million	2016	2015
11	**Tax**		
	Tax on total income for the year:		
	Current tax expense	-502.6	-173.0
	Change in deferred tax on temporary differences	-143.5	73.2
	Change in deferred tax resulting from change in tax rate	-	-15.3
	Tax on total income for the year	**-646.1**	**-115.1**
	Adjustments relating to previous years:		
	Current tax for previous years	0.4	-18.0
	Adjustment of deferred tax at 1 January	-17.2	33.1
	Adjustments relating to previous years	**-16.8**	**15.1**
	Tax expense	**-662.9**	**-100.0**
	Tax is included as follows:		
	Tax in the income statement	-660.0	-94.9
	Tax on changes in equity	-2.9	-5.1
	Tax expense	**-662.9**	**-100.0**
	Total tax on total income for the year can be explained as follows:		
	Profit before tax	2,937.7	506.4
	Reversal of income from Group entities	-82.0	-114.9
	Actuarial gains and losses on pension obligations recognised in equity	-	-2.7
	Intra-group contribution recognised in equity	-	21.3
	Total income	2,855.7	410.1
	Applicable tax rate	22.0%	23.5%
	Tax calculated on total income	-628.3	-96.4
	Tax on permanent differences:		
	Properties and other equity investments	-	-
	Income not subject to tax	0.8	2.3
	Expenses disallowed for tax purposes	-4.9	-4.0
	Non- refundable dividend taxes	-8.7	-7.8
	Different tax rates in countries where branches are located	-4.6	4.5
	Change in tax rate	-	-15.3
	Other permanent differences relating to branches	-0.3	-0.7
	Other permanent differences	-0.1	2.3
	Tax	**-646.1**	**-115.1**
	Ændring i aktuel skat som følge af udnyttelse af ikke		
	Tax on total income for the year	-646.1	-115.1
	Adjustment of tax relating to previous years	-16.8	15.1
	Tax expense	**-662.9**	**-100.0**

Notes to the financial statements

Note	DKK million			
12	**Intangible assets 2016**	**Completed IT development projects**	**Goodwill**	**IT development projects in progress**
	Cost, beginning of the year	1,651.3	573.9	192.2
	Currency translation adjustments, foreign branches	-21.0	-15.4	-4.9
	Additions	6.8	-	176.9
	Disposals	-16.0	-	-140.5
	Transferred from development projects in progress	20.8	-	-20.8
	Cost, end of the year	**1,641.9**	**558.5**	**202.9**
	Amortisation and impairment, beginning of the year	-961.0	-68.6	-145.1
	Currency translation adjustments, foreign branches	17.4	0.1	4.6
	Reversal of impairment losses relating to disposals	-	-	140.5
	Amortisation	-166.4	-	-
	Reversal of amortisation relating to disposals	16.0	-	-
	Amortisation and impairment, end of the year	**-1,094.0**	**-68.5**	**-**
	Carrying amount, end of the year	**547.9**	**490.0**	**202.9**
	Carrying amount, beginning of the year	690.3	505.3	47.1
	2015			
	Cost, beginning of the year	1,320.2	561.9	575.1
	Currency translation adjustments, foreign branches	14.3	12.0	5.1
	Additions	0.4	-	116.3
	Disposals	-150.0	-	-37.9
	Transferred from development projects in progress	466.4	-	-466.4
	Cost, end of the year	**1,651.3**	**573.9**	**192.2**
	Amortisation and impairment, beginning of the year	-898.5	-3.9	-228.7
	Currency translation adjustments, foreign branches	-10.5	-0.1	-4.8
	Intra-group portfolio transfer	-56.5	-	56.5
	Impairment losses recognised in the income statement	-	-64.6	-6.0
	Reversal of impairment losses relating to disposals	-	-	37.9
	Amortisation	-145.5	-	-
	Reversal of amortisation relating to disposals	150.0	-	-
	Amortisation and impairment, end of the year	**-961.0**	**-68.6**	**-145.1**
	Carrying amount, end of the year	**690.3**	**505.3**	**47.1**
	Carrying amount, beginning of the year	421.7	558.0	346.4

	Net book value	**Calculated headroom**	**WACC**
The value of goodwill can be broken down as follows:			
Acquired goodwill in relation to the purchase of:			
the Trekroner portfolio	131.2	6,460.5	8.08%
the Norwegian portfolios	3.0	0.3	8.08%
the Trygg Hansa portfolios	355.8	6,422.5	8.08%
Total goodwill 2016	**490.0**	**12,883.3**	

Notes to the financial statements

Note	DKK million			
12	**Intangible assets (continued)** **2016**	**Acquired software licenses**	**Customer lists etc.**	**Total intangible assets**
	Cost, beginning of the year	26.8	96.8	2,541.0
	Currency translation adjustments, foreign branches	1.4	1.2	-38.7
	Additions	-	-	183.7
	Disposals	-0.8	-50.1	-207.4
	Cost, end of the year	**27.4**	**47.9**	**2,478.6**
	Amortisation and impairment, beginning of the year	-24.9	-96.9	-1,296.5
	Currency translation adjustments, foreign branches	-1.4	-1.2	19.5
	Impairment losses recognised in the income statement	-	-9.6	-9.6
	Reversal of impairment losses relating to disposals	-	-	140.5
	Amortisation	-1.5	9.7	-158.2
	Reversal of amortisation relating to disposals	0.8	50.1	66.9
	Amortisation and impairment, end of the year	**-27.0**	**-47.9**	**-1,237.4**
	Carrying amount, end of the year	**0.4**	**-**	**1,241.2**
	Carrying amount, beginning of the year	1.9	-	1,244.6
	2015			
	Cost, beginning of the year	28.4	98.2	2,583.8
	Currency translation adjustments, foreign branches	-1.6	-1.4	28.4
	Additions	-	-	116.7
	Disposals	-	-	-187.9
	Cost, end of the year	**26.8**	**96.8**	**2,541.0**
	Amortisation and impairment, beginning of the year	-23.9	-79.3	-1,234.3
	Currency translation adjustments, foreign branches	1.5	1.4	-12.5
	Impairment losses recognised in the income statement	-	-9.6	-80.2
	Reversal of impairment losses relating to disposals	-	-	37.9
	Amortisation	-2.5	-9.3	-157.3
	Reversal of amortisation relating to disposals	-	-	150.0
	Amortisation and impairment, end of the year	**-24.9**	**-96.8**	**-1,296.4**
	Carrying amount, end of the year	**1.9**	**-**	**1,244.6**
	Carrying amount, beginning of the year	4.5	18.9	1,349.5

Amortisation is included in operating expenses and claims incurred.

Notes to the financial statements

Note	DKK million			
13	**Total equipment 2016**	**IT equipment under finance leases**	**Other equipment**	**Total equipment**
	Cost, beginning of the year	137.2	293.2	430.4
	Currency translation adjustments, foreign branches	-0.8	-9.8	-10.6
	Additions, including improvements	4.8	3.5	8.3
	Disposals	-100.1	-9.0	-109.1
	Cost, end of the year	**41.1**	**277.9**	**319.0**
	Depreciation and impairment, beginning of the year	-116.5	-263.6	-380.1
	Currency translation adjustments, foreign branches	0.4	9.1	9.5
	Depreciation	-13.4	-10.7	-24.1
	Depreciation on disposals	100.1	8.8	108.9
	Depreciation and impairment, end of the year	**-29.4**	**-256.4**	**-285.8**
	Carrying amount, end of the year	**11.7**	**21.5**	**33.2**
	Carrying amount, beginning of the year	20.7	29.5	50.2
	Depreciated on a straight-line basis over a period of	3-5 years	4-10 years	
	2015			
	Cost, beginning of the year	131.0	280.5	411.5
	Currency translation adjustments, foreign branches	0.6	7.2	7.8
	Additions, including improvements	5.7	20.8	26.5
	Disposals	-	-15.3	-15.3
	Cost, end of the year	**137.3**	**293.2**	**430.5**
	Depreciation and impairment, beginning of the year	-101.4	-261.6	-363.0
	Currency translation adjustments, foreign branches	-0.2	-6.8	-7.0
	Depreciation	-15.0	-9.6	-24.6
	Depreciation on disposals	-	14.3	14.3
	Depreciation and impairment, end of the year	**-116.6**	**-263.7**	**-380.3**
	Carrying amount, end of the year	20.7	29.5	50.2
	Carrying amount, beginning of the year	29.6	18.9	48.5
	Depreciated on a straight-line basis over a period of	3-5 years	4-10 years	

Notes to the financial statements

Note	DKK million	2016	2015
14	**Group occupied properties**		
	Revalued amounts, beginning of the year	13.0	12.6
	Additions during the year, including improvements	-	1.3
	Value adjustments	-0.5	-0.9
	Revalued amounts, end of the year	12.5	13.0

Group occupied property was valued in 2015 and 2016 by independent external valuers. The valuation was based on an active market for similar properties.

Notes to the financial statements

Note	DKK million	2016	2015
15	**Investments in Group entities**		
	Cost, beginning of the year	1,563.2	1,563.2
	Disposals	-1,300.0	-
	Cost, end of the year	**263.2**	**1,563.2**
	Adjustments, beginning of the year	-942.1	-922.5
	Adjustments due to change in accounting policy	-	-4.4
	Exchange gains and losses	-12.0	8.9
	Currency translation adjustment, subsidiaries	-0.3	0.2
	Profit for the year from Group entities	82.0	115.5
	Dividends paid, capital reduction, etc.	-9.8	-139.8
	Value adjustments re disposals, during the year	1,300.0	-
	Adjustments, end of the year	**417.8**	**-942.1**
	Carrying amount, end of the year	**681.0**	**621.1**

The value of investments in Group entities can be broken down as follows:

	2016	2015
Besigtelses Kontoret af 1914 A/S	8.1	15.9
NIS 2 A/S (Company liquidated during 2016)	-	9.9
Holmia Livförsäkring AB	309.2	277.8
Forsikringsselskabet Privatsikring A/S	363.7	317.5
	681.0	**621.1**

Equity in Group entities, which has formed the basis for the calculation of Codan Forsikring's share as specified above, has been determined in accordance with the accounting policies of Codan Forsikring.

All subsidiaries are separate entities.

Additional information on investments in Group entities:

	Registered office	Ownership interest %	Results	Equity
Companies carrying on insurance business:				
Holmia Livförsäkring AB, SEK	Stockholm	100	66.6	398.0
Forsikringsselskabet Privatsikring	Frederiksberg	100	47.1	363.7
Companies providing insurance-related services:				
Besigtelses Kontoret af 1914 A/S	Frederiksberg	100	-7.5	8.1

Results and equity in Group entities as stated above are in accordance with the latest annual report.

Notes to the financial statements

Note	DKK million	2016	2015
16	**Reinsurers' share of provision for unearned premiums**		
	Premium provision	-26.0	-130.9
	Profit margin on general insurance contracts	237.2	301.0
	Reinsurers' share of provision for unearned premiums	**211.2**	**170.1**
17	**Current tax assets and liabilities**		
	Current tax assets and liabilities, beginning of the year	252.5	-89.3
	Currency translation adjustments	-9.5	2.2
	Current tax for the year	-502.6	-173.0
	Adjustment of current tax relating to previous years	0.4	-18.0
	Corporation tax paid during the year	515.6	530.6
	Current tax assets and liabilities, end of the year	**256.4**	**252.5**
	Current tax assets and liabilities are included as follows:		
	Current tax assets	256.4	252.5
	Current tax assets and liabilities	**256.4**	**252.5**

Notes to the financial statements

Note	DKK million	2016	2015
18	**Deferred tax assets and liabilities**		
	Deferred tax assets, beginning of the year	353.6	-61.7
	Internal Portfolio Transfer Deferred Taxation	-	357.4
	Currency translation adjustments	3.3	-12.2
	Change relating to intangible assets	-41.4	20.4
	Change relating to property and equipment	10.2	-0.4
	Change relating to other receivables and assets	-0.8	-
	Change relating to technical provisions	-105.7	7.3
	Change relating to liabilities and payables	-11.5	8.5
	Change relating to tax losses	-11.6	34.3
	Deferred tax assets and liabilities, end of the year	**196.1**	**353.6**
	Deferred tax for the year recognised in the income statement	-143.5	57.2
	Deferred tax for the year recognised in equity	-	0.7
	Total deferred tax for the year	**-143.5**	**57.9**
	Specification of deferred tax assets and liabilities at the end of the year:		
	Intangible assets	-198.2	-159.7
	Property and equipment	10.7	0.5
	Other receivables and assets	3.3	3.9
	Technical provisions	179.6	291.5
	Liabilities and payables	52.7	65.8
	Net tax losses carried forward	148.0	151.6
	Deferred tax assets and liabilities, end of the year	**196.1**	**353.6**
	Deferred tax assets and liabilities are included as follows:		
	Deferred tax assets	306.7	353.6
	Deferred tax liabilities	-110.6	-
	Defered tax assets and liabilities	**196.1**	**353.6**

In accordance with the rules issued by the Danish Financial Supervisory Authority no provisions are made for deferred tax on untaxed transfers to contingency funds, cf. note 20.

Note	DKK million	2016	2015
19	**Accrued interest and rent**		
	Accrued interest from investments	385.9	398.4
	Accrued interest and rent	**385.9**	**398.4**

Notes to the financial statements

Note	DKK million	2016	2015
20	**Share capital**		
	The company's fully paid share capital can be broken down as follows:		
	2 shares of DKK 1,000,000	2.0	2.0
	1 share of DKK 2,000,000	2.0	2.0
	2 shares of DKK 3,000,000	6.0	6.0
	1 share of DKK 5,000,000	5.0	5.0
	Share capital	**15.0**	**15.0**

No shares carry special rights. All shares carry full dividend rights. The company does not hold own shares. There has been no change in the share capital durring the past 5 years.

Note	DKK million	2016	2015
21	**Contingency funds**		
	The contingency funds can be broken down as follows:		
	Contingency fund in the Swedish branch	4,139.2	4,319.5
	Contingency fund A, created by resolution at the Annual General Meeting on 17 May 1966	313.5	313.5
	Contingency fund B for general insurance, cf. Section 138(2) of Act No. 630 of 23 December 1980	1,062.8	1,062.8
	Contingency fund C for workers' compensation insurance	18.8	18.8
	Contingency funds	**5,534.3**	**5,714.6**
	Of which untaxed	5,534.3	5,714.6

The contingency fund in Trygg-Hansa Försäkrings AB amounts to SEK 5,318.3 million in 2016 (SEK 5,318.3 million in 2015).

Note	DKK million	2016	2015
22	**Total equity**		
	Capital base to cover the solvency requirement	**8,714.0**	**9,149.4**
	Capital base is calculated as follows:		
	Equity	8,791.3	9,354.0
	Value of intangible assets	-1,241.2	-1,244.6
	Value of equipment	-33.2	-50.2
	Adjustment regarding subsidiaries	67.8	71.4
	Profit margin on general insurance contracts	1,482.1	1,406.1
	Reinsurers' share of profit margin on general insurance contracts	-237.2	-301.0
	Deferred tax effect	-24.6	12.6
	Prepayments	-91.0	-98.9
	Capital base to cover the solvency requirement	**8,714.0**	**9,149.4**

Notes to the financial statements

Note	DKK million	2016	2015

23 **Pension obligations**

Pension obligations in Codan Forsikring are generally funded.

In respect of defined contribution schemes, the employer is under an obligation to pay a defined contribution (e.g. a fixed amount or a fixed percentage of the salary). In a defined contribution scheme, the company does not bear the risk in relation to future developments in interest rates, inflation, mortality and disability. This is opposed to defined benefit schemes, where the employer is under an obligation to pay a defined benefit (e.g. a fixed amount or a percentage of the final salary).

62-year pensions

Together with other financial companies present in Sweden, the Company has entered a collective agreement regarding the employees' pensions. The pension agreement has been made through the Insurance Industry's Pensionfund (Försäkringsbranchens Pensionskassa, FPK) and in implies that Codan Forsikring together with the other companies in cooperation has obligations to pay the pension of their own employees in accordance with set rules. The pension plan in FPK can be viewed as a defined benefit

Codan Forsikring does not have access to information which allows the accounting for the pension plan as a defined benefit plan, and the plan is therefore accounted for as a defined contribution plan.

As part of the collective agreement the company has also entered agreement about defined benefit plans. The company's obligations under the defined benefit plan are recorded as expenses in the profit and loss account on an accrual basis.

Employees in Codan Forsikring Sweedish branch born before or in 1955 are, according to the collective agreement, entitled to retire at 62. Those who choose to accept this opportunity obtains a pension from the employer for the time between the chosen retirement age and the ordinary retirement age. The pension is based on a calculation from FPK.

Norwegian branch pensions scheme

Codan Forsikring Norwegian branch pension scheme includes 307 active employees. The plan entitles to defined future benefits depending on number of years of service, salary level reached at pension age and size of national insurance benefits. The scheme is administered externally.

	2016	2015
Present value of defined benefit schemes	55.3	58.7
Net liability recognised in the balance sheet	**55.3**	**58.7**

No assets have been separated to cover the pension obligation.

Notes to the financial statements

Note	DKK million	2016	2015
23	**Pension obligations (continued)**		
	Development in present value of defined benefit obligations:		
	Pension obligations, beginning of the year	58.7	79.2
	Currency translation adjustments	-1.8	1.4
	Pension costs for the year	11.6	3.5
	Calculated interest on obligation	1.8	1.3
	Actuarial gains and losses	-	2.7
	Benefits paid	-15.0	-29.4
	Pension obligations, end of the year	**55.3**	**58.7**
	Pension costs recognised in the income statement:		
	Calculated interest on obligation	-1.8	-1.3
	Total recognised for defined benefit schemes	-1.8	-1.3
	Total recognised for defined contribution schemes	-258.9	-272.1
	Pension costs recognised in the income statement	**-260.7**	**-273.4**
	Assumptions used in the calculation of pension obligations:		
	Discount rate	0.0%	1.5%
	Expected increase in salaries	2.5%	3.0%
	Proportion of employees opting to use the plan	85.0%	85.0%
24	**Other provisions**		
	Other provisions, beginning of the year	234.1	190.5
	Currency translation adjustments	-3.4	2.5
	Used during the year	-113.9	-137.0
	Reversal of unused provisions	-50.0	-2.3
	Provisions made during the year	105.2	180.4
	Other provisions	**172.0**	**234.1**
	Other provisions consists of:		
	Provisions regarding sale of building	9.5	29.5
	Provision regarding VAT-cases	42.5	49.5
	Profit in Group Life Pool	44.8	52.5
	Reorganisation	50.6	51.8
	Lawsuits	0.0	30.5
	Environmental duties	12.1	12.0
	Dilapidation provision	4.5	5.0
	Other	8.0	3.3
	Other provisions	**172.0**	**234.1**

Notes to the financial statements

Note	DKK million	2016	2015
25	**Total provisions**		
	Current portion (less than one year)	72.6	78.2
	Non-current portion (more than one year)	265.3	214.6
	Total provisions	**337.9**	**292.8**

26 **Total payables**

No payables fall due more than five years after the balance sheet date.

Notes to the financial statements

Note

27 **Related parties**

Information on related parties
Codan A/S, Frederiksberg, owns 100% of the shares in Codan Forsikring and thus holds a controlling interest in the company.

The company's related parties furthermore include the members of the Board of Directors and the Board of Management, and the boards of directors and boards of management and executives of Group entities as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the Board of Directors and the Board of Management, executives, major shareholders or other related parties. The management remuneration is shown in Notes 6 and 29.

Related party transactions
The company undertakes all administrative tasks for all wholly-owned Danish subsidiaries in the Codan Group. The company also undertakes all administrative tasks for the parent company, Codan A/S.

The company is a part of the Codan Group, whose companies work in a Nordic operating model. This means that there is co-operation on management, projects and certain functions in between the companies. In this connection the requirements set by the local Financial Supervisory Authorities are fulfilled.

The Company has paid dividends to its parent company and received dividends from subsidiaries.
The company has received intragroup contributions from related parties of DKK 0.0 million in 2016 (DKK 155.2 million in 2015).

Administration fees payable to and receivable from Group entities in the Codan Group are settled on a cost-covering basis. Rent payments to Group entities are made on market-based conditions.

Agreements on interest on inter-company balances on an arm's length basis were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 0.0 million in 2016 (DKK 0.0 million in 2015).

Agreements on interest on loans on market-based conditions were made between the companies in the Codan Group. Interest income from Group entities amounted to DKK 82.5 million in 2016 (DKK 222.0 million in 2015).

The company has lent out DKK 1,000.0 million to the sister company Codan Ejendomme II.

Agreements on reinsurance were entered into with companies in the Codan Group and with companies in the RSA Group on an arm's length basis. Included in this is the quota sharing programme with RSA Reinsurance UK Ltd. which has been commuted by the end of 2016.

The company has paid for the use of joint IT-systems and the company's share of joint services in the RSA Group. Payments were made on a cost-covering basis.

The company has entered in to a DKK/SEK hedge of DKK 892.4 million with the ultimate parent company Royal & Sun Alliance Insurance Plc and a DKK/SEK hedge of DKK 823.7 milion with the ultimate parent company Royal & Sun Alliance Insurance Plc. The Hedges were agreed on a arm's lenght basis. Total net Book value of Intercompany hedges (liability) amounted to DKK 26.9 milion in 2016 (DKK 5.5 milion in 2015).

Notes to the financial statements

Note	DKK million	2016	2015
27	**Related parties (cont.)**		
	Business transactions with Group entities and associates included the following:		
	Premiums ceded to reinsurers	-550.2	-295.0
	Claims paid, reinsurers' share	598.6	462.7
	Sale of reinsurance to Group entities	212.3	184.0
	Ceded reinsurance cover	-131.7	-56.6
	Reinsurance commissions and profit participation	38.3	17.6
	Commissions and profit participation for reinsurance	-3.6	-4.5
	Interest expenses, deposits with ceding undertakings	-2.6	-10.8
	Purchase of services from Group entities	-161.0	-212.1
	Sale of administrative services to Group entities	220.6	203.0
	Business transactions with Group entities	**220.7**	**288.3**
28	**Security**		
	The following assets are held under trust for the benefit of policyholders to cover technical provisions:		
	Equity investments	2,359.3	2,202.0
	Bonds	31,595.1	32,708.0
	Cash and cash equivalents	638.8	-
	Interest receivable	380.4	400.0
	Other	1,165.4	1,710.0
	Security	**36,139.0**	**37,020.0**
	Bonds pledged as security for loans for standard repo contracts:		
	Danish government bonds	**799.1**	**-**
	Swedish government bonds	**536.2**	**-**
	Security	**1,335.3**	**-**

Notes to the financial statements

Note	DKK million	2016	2015
29	**Contingens assets, contingent liabilitiesand financial liabilities**		
	Financial liabilities		
	VAT adjustment liability in connection with purchase of intangible assets	0.9	0.8
	Operating lease commitments fall due within ten years and constitute:	512.9	690.5
	Service agreements (IT and telephony)	104.5	412.3
	Sponsorships	-	13.1
	Guarantee in connection with the disposal of Group occupied property	3.7	1.5
	Commitment to invest in units in open-ended funds	345.3	561.9
	Financial liabilities	**967.3**	**1,680.1**

The company is cooperating with other insurers to provide joint cover of certain types of insurance risks. In addition to the company's own share of such risks, which is included in the annual report, the company is jointly and severally liable for the other insurers' share of the insurance liabilities. However, in view of the fact that these insurers are sound companies, the risk is largely minimal.

The company signed contracts with external companies for the purpose of selling insurance products.

The company is jointly registered with the majority of the Codan Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such taxes.

The company is jointly and severally liable together with other companies participating in the joint taxation for any dividend tax and royalties imposed within the joint taxation payable by 1 July 2012 or later.

Likewise, the company is jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year 2013.

The company entered into agreements with other companies in the Codan Group on the sale of insurance products, investment management, reinsurance, provision of administrative services, etc.

Notes to the financial statements

Note

30 Incentive schemes

RSA Insurance Group plc. operates a number of incentive schemes. Until and including 2005, RSA Insurance Group plc. had an Executive Share Option Plan and a Share Matching Plan for executives and other key employees. In 2006, these plans were replaced by a Long Term Incentive Plan. The plans are all subject to different performance conditions and are based on shares in RSA Insurance Group plc. As of 2014 the long term incentive plan is replaced by the Performance Share Plan (PSP). In addition, RSA Insurance Group plc. operates the Savings Related Share Option Plan providing all employees with the opportunity of buying shares in RSA Insurance Group plc. at a favourable price.

Executive Share Option Plan
The options are exercisable between three and ten years after grant, provided that specific performance conditions are met. The exercise price of all options is equal to the fair value of the underlying stock at the date of the grant.

The fair value of the options granted is based on all performance conditions being met.

Share Matching Plan
The options granted are exercisable between three and five years after grant at a price per share of nil. 25% of the options granted are not subject to performance conditions, while the remaining 75% can be exercised only if a number of performance conditions are met.

Long Term Incentive Plan
The structure of the plan allowed for a number of different types of awards to be made. Voluntary Deferred Shares are purchased by the participants from net bonus payable (limited to a maximum value of 33% of net bonus); in addition, for senior executives, the Remuneration Committee may defer a portion of an individual's bonus (limited to 33% of that bonus) into an award over shares referred to for the purpose of the plan as Compulsory Deferred Shares. Deferred shares are held in trust for three years and normally forfeited on an employee leaving the Group. No further performance conditions apply. The Remuneration Committee may make a conditional award of shares on a "matched" basis to Voluntary and Compulsory Deferred Shares ("Matching Shares").

Additionally, the Remuneration Committee may make conditional awards of Performance Shares to senior Executives, and conditional awards of Restricted Shares to other executives and senior managers.

Awards of Performance Shares and Matching Shares related to Compulsory Deferred Shares are subject to a performance condition consisting of a combination of a return on equity target and a total shareholder return target (with performance measured by comparison against other European insurance companies) over a single three year performance period. Matching Shares related to Voluntary Deferred Shares are subject only to the return on equity performance condition. Restricted Shares are not subject to performance conditions. All awards vest on the third anniversary of the date of the grant.

Performance Share Plan
The Structure of the plan allows for different types of awards to be made. All awards are settled in the form of ordinary shares. Part of the individual's bonus may be awarded in the form of Deferred Bonus Shares. Deferred Bonus Shares are generally retained if the employee leaves the Group unless the employee is dismissed for cause. The awards are not subject to performance conditions.

Furthermore Performance Shares and Restricted Shares may be granted, where the 2016 grant, was subject to the following performance conditions: Development in Group underlying Return on Tangible Equity, relative Total Shareholder Return and a Business Review Scorecard over a three year performance period. If an employee resigns from the Group, then Performance Shares and Restricted Shares lapse at the date of leaving the Group. The Remuneration Committee may however exert discretion as to the treatment of a leaver's share awards based on leaving circumstances.

Notes to the financial statements

Note

30 **Incentive schemes (continued)**

Savings Related Share Option Plan
Employees eligible to participate in the RSA Insurance Group plc. International Sharesave Plan (savings related) can, through a savings contract, receive options to purchase ordinary shares of RSA Insurance Group plc.'s common stock at a price equal to 80% of the fair value of the ordinary shares at the date of the grant. The number of shares available for purchase from the plan by each participant is limited to the whole number of shares purchasable from the aggregate value of the individual's savings contract upon maturity. An individual's maximum monthly contribution to all current savings contracts is £250. All options mature in three or five years from the grant date and expire six months after vesting.

Participation of CEO Patrick Bergander in incentive schemes at 31 December:

DKK million	**Long Term Incentive Plan**		**Share Matching Plan**		**Savings Related Share Option Plan**	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2015	86 722	4,6	40 690	2,2	-	-
Granted during the year	33 177	1,8	-	-	-	-
Exercised during the year	-565	-0,0	-	-	-	-
Forfeited during the year	-5 390	-0,3	-2 242	-0,1	-	-
Outstanding at 31 December 2015	**113 944**	**6,1**	**38 448**	**2,1**	**-**	**-**
Granted during the year	29 634	1,5	-	-	-	-
Exercised during the year	-15 465	-0,8	-	-	-	-
Forfeited during the year	-15 404	-0,8	-38 448	-2,1	-	-
Outstanding at 31 December 2016	**112 709**	**6,0**	**-**	**-**	**-**	**-**

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2016.

Notes to the financial statements

Note

30 **Incentive schemes (continued)**

Participation of the CFO Stig Pastwa in incentive schemes at 31 December:

DKK million	**Long Term Incentive Plan**		**Share Matching Plan**		**Savings Related Share Option Plan**	
	Shares	Value	Shares	Value	Shares	Value
Granted during the year	5 690	0,3	-	-	-	-
Outstanding at 31 December 2015	**5 690**	**0,3**	**-**	**-**	**-**	**-**
Granted during the year	3 688	0,2	-	-	-	-
Exercised during the year	-2 012	-0,1	-	-	-	-
Forfeited during the year	-5 690	-0,3	-	-	-	-
Lapsed during the year	-1 676	-0,1	-	-	-	-
Outstanding at 31 December 2016	**-**	**-**	**-**	**-**	**-**	**-**

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2016.
Stig Pastwa resigned his position as CFO of the company in May 2016.

Participation of EO Vivian Lund in incentive schemes at 31 December:

DKK million	**Long Term Incentive Plan**		**Share Matching Plan**		**Savings Related Share Option Plan**	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 31 December 2015	**-**	**-**	**-**	**-**	**-**	**-**
Correction, beginning balances	13 291	0,7	2 304	0,1	-	-
Exercised during the year	-1 925	-0,1	-	-	-	-
Outstanding at 31 December 2016	**11 366**	**0,6**	**2 304**	**0,1**	**-**	**-**

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2016.

Notes to the financial statements

Note

30 **Incentive schemes (continued)**

Employees with material influence on the company's risk profile

DKK million	Long Term Incentive Plan		Share Matching Plan		Savings Related Share Option Plan	
	Shares	Value	Shares	Value	Shares	Value
Outstanding at 1 January 2015	537,759	28.7	293,458	15.7	19,786	1.1
Correction, beginning balances	-4,841	-0.3	-	-	7,961	0.4
Adj. due to change in risk takers	-268,609	-14.3	-155,681	-8.3	-12,280	-0.7
Granted during the year	146,115	7.8	-	-	496	0.0
Exercised during the year	-31,040	-1.7	-	-	-4,759	-0.3
Forfeited during the year	-30,322	-1.6	-70,420	-3.8	-	-
						-
Outstanding at 31 December 2015	**349,062**	**18.6**	**67,357**	**3.6**	**11,204**	**0.6**
Correction, beginning balances	60,366	3.2	-	-	-	-
Adj. due to change in risk takers	173,158	9.2	27,127	1.4	5,402	0.3
Granted during the year	330,531	17.6	-	-	536	0.0
Exercised during the year	-100,673	-5.4	-	-	-8,342	-0.4
Forfeited during the year	-108,972	-5.8	-94,484	-5.0	-	-
Adj. due to change in risk taker status	-288,216	-15.4	-	-	-6,786	-0.4
Outstanding at 31 December 2015	**415,256**	**22.2**	**-**	**-**	**2,014**	**0.1**

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2016.

31 **Ownership information**

Ownership
Codan A/S, Gammel Kongevej 60, 1850 Frederiksberg C, owns all of the shares in Codan Forsikring.

Group relationship
RSA Insurance Group plc., 20 Fenchurch Street, London, England prepares consolidated financial statements, in which Codan Forsikring is included as a subsidiary.