

# **CODAN**

**CODAN A/S**  
**ANNUAL REPORT**  
**1 January – 31 December 2016**

Gammel Kongevej 60  
1850 Frederiksberg C  
Company Reg. No. 56 77 12 12

**Contents**

---

General information	3
Management's review	4
Financial review	4
Employees and the company's community involvement	8
Risk management	11
Capital structure	13
Directorships and executive positions	14
Statement by the Management on the annual report	16
Independent Auditor's report	17
Income statement	19
Statement of comprehensive income	19
Balance sheet at 31 December	20
Statement of changes in equity	22
Notes to the financial statements	24

---

## 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  
Marie 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**

RSA Insurance Group plc., 20 Fenchurch Street, London, England, owns 100 % of the shares in Codan A/S, through the wholly owned Dutch subsidiary RSA Overseas Holding B.V., Netherland.

---

**Address, etc.**

Gammel Kongevej 60  
DK - 1790 Copenhagen V  
Telephone: +45 33 21 21 21  
Fax: +45 33 55 21 22  
[www.codan.dk](http://www.codan.dk)  
Company Reg. No. 56 77 12 12

## Management's review

### Financial review

#### The company's principal activity

Codan A/S ('Codan') is a financial insurance holding company whose principal activity is to own and manage general insurance companies in Scandinavia, primarily through the Danish subsidiary Codan Forsikring A/S, which offers general insurance products to personal and commercial customers on the Scandinavian markets.

#### Annual Report 2016

Codan's ultimate parent company RSA Insurance Group plc prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements are therefore not prepared for the Codan Group.

The financial statements for 2016 have been prepared in accordance with the Danish Financial Business Act (*Lov om finansiel virksomhed*), including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (*Bekendtgørelse om finansielle rapporter for forsikringselskaber og tværgående pensionskasser*).

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

A 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 members of Board of Directors*

In June 2016 Vivian Lund was appointed as member of Board of Management. She succeeded 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 Wilkinson. In September 2016 Gunilla Astrid Henriette Asker joined the Board of Directors.

##### *Dividend in 2016*

In May 2016 Codan received interim dividend of DKK 1,598 million from the Danish subsidiary Codan Forsikring A/S and in June 2016 Codan received additional dividend of DKK 2 million. In November 2016 Codan received interim dividend of DKK 1,000 million from the Danish subsidiary Codan Forsikring A/S

The Board of Management decided to distribute interim dividend to the parent company, RSA Overseas Holding B.V., Netherland, amounting to DKK 2,500 million. Interim dividend was paid with DKK 1,498 million in May 2016, DKK 2 million in June 2016 and DKK 1,000 million in November 2016.

##### *Loans from Group entities*

As of 31 December 2016 the company had the following long term loans from its subsidiaries: Codan Ejendomme II A/S of DKK 220 million and NIS Norway AS of NOK 979 million. Both loans are obtained on an arms length principle.

As of 31 December 2016 the company had a loan from the RSA subsidiary RSA Insurance plc. of DKK 1,100 million. The loan was obtained on an arm's length basis. The loan originally expired May 2016 but has been extended until May 2017.

The currency exposure regarding the loans between Group entities has been hedged by means of forward exchange contracts.

## Management's review

### *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 transfer of the portfolio has been approved by the Danish Financial Supervisory Authority. The transfer has not had significantly impact on Codan Forsikring's profit in 2016.

### *Commutation of Quota Share reinsurance programme with RSA Reinsurance UK*

During 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.

### *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 Forsikring'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.

### *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, the insurance subsidiaries Codan Forsikring and Privatsikring, as part of the RSA Group received approval to use an internal model to calculate the solvency capital requirement as of 1 January 2016.

As no sub-consolidation is required for the Codan Group, and whereas the Danish Executive Order on Solvency applicable up to Solvency II was revoked as of 1 January 2016, there is no solvency capital requirement for Codan, however, the company will ensure to hold sufficient capital to meet its obligations.

### **Profit for the year**

Profit for the year amounted to DKK 2,195 million against a profit of DKK 386 million for 2015. The profit is as expected in the outlook announced in the annual report for 2015 of maintaining satisfactory insurance operating profits in Codan's subsidiaries. The profit for 2016 has been materially impacted by improvement in the Balance on the technical account from general insurance of the subsidiaries. The profit from subsidiaries amounted to DKK 2,271 million compared to a profit from subsidiaries at DKK 411 million last year.

### **Investments**

The company's investments are made in subsidiaries and other financial assets. The total investment return was DKK 2,198 million for 2016 against DKK 385 million for 2015.

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

	<u>2016</u>	<u>2015</u>
Investment in Group entities	8 823	9 380
Equity investments and units in open-ended funds	11	150
Bonds	215	97
Cash and cash equivalents	174	96
	<u>9 223</u>	<u>9 723</u>

### **Investments in Group entities**

Income from Group entities amounted to DKK 2,271 million for 2016 against DKK 411 million last year.

Income from Group entities can be broken down as follows: Codan Forsikring A/S posted a profit of DKK 2,278 million (a profit of DKK 412 million in 2015), while other subsidiaries generated a loss of DKK -7 million in 2016 (DKK -1 million in 2015).

### Management's review

#### *Codan Forsikring A/S*

Codan Forsikring A/S offers almost all types of general insurance products to private individuals and companies in the Nordic countries. Codan Forsikring A/S holds a leading position in the general insurance market in Scandinavia and offers a comprehensive range of general insurance products. The company has branches in Norway, Sweden and USA.

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. 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%. 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. 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.

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.

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.

#### **Equity investments and units in open-ended funds**

The company has reduced the exposure to shares. The company's equity investments and units in open-ended funds amounted to DKK 11 million at 31 December 2016, equal to 0.1% of the total investment portfolio (1.5% in 2015).

The company's equity investments generated a positive return of DKK 7 million, primarily due to receiving dividend from the investment in the unlisted share, Dansk Skribskredit. Subsequently the unlisted share have been sold.

#### **Bonds**

Due to negative interest rates in the Danish banks, the company invested in AAA – rated mortgage bonds during 2016.

At 31 December 2016 the company's investments in bonds amounted to DKK 215 million (2015 DKK 97 million). The portfolio has a duration of less than two year and the bonds are rated AAA. The total return on the bond portfolio was approximately DKK 2 million for the year (2015 DKK 0 million).

#### **Balance sheet**

The total assets for Codan amounted to DKK 10,334 million at year-end 2016, which is a decrease of DKK 487 million compared to total assets of DKK 10,821 million in 2015. The decrease is primarily a result of a decline in Investments in Group entities due to distributed dividend.

Equity decreased by DKK 539 million from DKK 8,646 million to DKK 8,107 million. Apart from profit for the year, equity is particularly affected by dividend payments of DKK -2,500 million.

#### **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

### Management's review

- Improve cost effectiveness through process optimisation and digitalisation
- 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 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 focus 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 slower pace that seen in recent years. In Norway the insurance market was weakened by the oil price drop – in particular within the commercial segment.

#### **Customers**

Codan continues to work on delivering the brand and customer journey and implementing a customer mindset 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 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'.

#### **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.

##### *Other events*

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

#### **Outlook for 2017**

In 2017 Codan expects to maintain the satisfactory insurance operating profit in its subsidiaries.

Codan's insurance subsidiaries continue to focus on delivering long-term profitable growth in their insurance operations with strict management control of underwriting. Diversified portfolios of the subsidiaries, reasoned insurance programmers and conservative reserving ensure stable insurance operating profits. The subsidiaries are expected to post satisfactory results from their insurance operations, provided weather-related claims are at a normal level in 2016. Based on the guidelines and investment policy laid down by the Codan Group, no major changes are expected in the allocation of the Groups assets in 2017.

The management of Codan 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.

### Management's review

#### Employees and the company's community involvement

The cornerstone of Codan's performance and success is the company's ability to attract, retain and develop the best talents. Codan 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 strives to be a responsible employer. By focusing on all aspects of diversity and equal opportunities for all employees, Codan wants to be a workplace where differences are considered a strength and source of inspiration.

#### Corporate responsibility

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



## Management's review

### 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 preventing 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 Ejken 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 drowning - 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

### Management's review

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 A/S and Codan Forsikring A/S from 20% in 2012 to 33% in 2017, while the corresponding target for Forsikringsselskabet Privatsikring is from 25% in 2012 to 40% 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 A/S and Codan Forsikring A/S . In 2016, the share of women in the Board of Directors went up from 20% to 50% in Forsikringsselskabet Privatsikring.

The share of women on other management levels, has increased from 35% in 2012, 36% in 2013 to 37% in 2014 , 38% 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

The most significant risks of the Codan Group are the risks relating to its insurance subsidiaries. The following description of risks includes both the risks of Codan and of its insurance subsidiaries.

The subsidiaries of Codan are 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

The overarching strategy and guidelines for Codan are laid down 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, suppliers and others has been reviewed and challenged through continuous assessment of the current risk profiles of Codan's subsidiaries by the Own Risk & Solvency Assessment (ORSA) committee, which serves as an advisory body to the CEO and senior management. The risk profiles are reported to the respective Boards of Directors quarterly. For further information on risk management, see Note 2.

Codan's subsidiaries have implemented necessary and relevant monitoring systems, business processes and controls in order to minimise risks. The most significant risks for the Codan group are outlined below:

#### **Insurance risks**

The Codan Group'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.

Codan's exposure to underwriting risk, claims risk, reserve risk and reinsurance risk is exclusively indirect via the company's subsidiaries.

For a risk description of the underwriting, catastrophe and reserve risks of subsidiaries, please refer to the Annual Report for 2016 of Codan Forsikring A/S.

#### **Financial risks**

Financial risks consist of market risk, credit risk, and liquidity risk. Market risk is the most important of these for Codan since a significant part of the company's activities consist 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. Note that Codan's exposure to financial risk is primarily indirect via the company's subsidiaries. The financial risks described below are considered on an aggregated level, i.e. including subsidiaries.

Codan's direct investment portfolio, other than investments in subsidiaries, is allocated mainly to cash (43%), equity (10%) and short- and medium-term bonds (54%). Codan's subsidiaries have the majority of their investments in Danish and Swedish government and mortgage bonds. The vast majority of the bonds is considered liquid and can be sold at short notice close to market price.

## Management's review

### **Market risks**

#### **Interest rate risk**

Changes in interest rates are one of the main financial risks that Codan is exposed to, mainly through its subsidiaries. If interest rates decrease, the value of bond portfolios held by Codan's subsidiaries will rise. At the same time, technical provisions increase in connection with downwards changes in the discount rate. 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. The equity portfolios held by subsidiaries consists primarily of direct investments in listed European equities, whereas the equities held directly by Codan are focused on a few unlisted shareholdings.

#### **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 is exposed to spread risk mainly via investments in mortgage bonds and corporate bonds through its subsidiaries. However, the spread risk is considered limited as the subsidiaries primarily holds AAA-rated mortgage bonds and investment grade corporate bonds.

#### **Currency risk**

Currency risk arises as a result of a mismatch in the value of assets and liabilities in the same foreign currency. Codan has a large net exposure to SEK through one of its subsidiaries which, however, mitigates this risk through the use of currency derivatives. Apart from the SEK exposure, Codan has limited currency risk as the technical provisions in subsidiaries are generally matched by investments in the same currency. In Codan's financial statements, results and equity of subsidiaries are translated into DKK. Consequently, significant changes in foreign exchange rates may affect Codan's results and equity.

#### **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. A significant part of the technical provisions in Codan's subsidiaries is index-linked, and Codan is consequently exposed to inflation through its subsidiaries. Codan also has direct exposure to inflation risk as annuities linked to Swedish Motor business are generally indexed with a consumer price index. 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's investments held in Codan's subsidiaries are in liquid, listed bonds that can be liquidated at short notice. Further, should the need arise; a credit facility can be obtained from the company's primary banks given the RSA Group's A rating.

#### **Credit risk**

Credit risk (default risk) is the risk of incurring a loss in case a counterparty cannot meet its obligations. Codan's investment portfolio in its subsidiaries consists primarily of AAA-rated Danish and Swedish government and mortgage bonds, for which the credit risk is considered very low. In addition, a limited number of European corporate bonds are held, though with a credit rating of at least BBB. Codan's counterparty-related credit risks are primarily tied to holdings of cash and deposits in banks and exposure on reinsurance counterparties.

#### **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.

#### **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.

## Management's review

### 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.

Codan manages these risks on an ongoing basis in line with risk appetite and quarterly assesses documents, and reports operational risks to the Board of Directors. Where the risk exposure is judged to be unacceptable (outside risk appetite), actions are taken to mitigate and/or manage the risk in order to bring it back within risk appetite within reasonable time. An annual assessment is performed of the direct and indirect financial impact that could arise in various scenarios.

### Capital structure

Codan is subject to the rules governing intermediate insurance holding companies and bases its capital management approach on these rules. The rules stipulate that as of 1 January 2016 when Solvency II became effective, capital requirements and own funds does not apply for intermediate insurance holding companies when the ultimate parent is based in the European Union. To ensure the company is adequately capitalized the Board of Directors of Codan has defined capital measures which is monitored on a regular basis.

For capital management purposes of the Danish insurance subsidiaries, the Codan Group 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 the Codan insurance subsidiaries and is continuously being developed, which includes an annual reparametrisation. 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. The Swedish insurance subsidiary, Holmia Livförsäkring AB uses the standard formula to calculate the solvency capital requirement.

Codan's equity amounted to DKK 8,107 million at 31 December 2016. As of 1 January 2016 there is no legally required capital requirement at a Codan level since the company is an intermediate insurance holding company.

## Management's review

### Directorships and executive positions

#### Board of Directors

At the time of the adoption of the annual report, the members of the company's Board of Directors held the following directorships and executive positions in other enterprises.

<b>Board of Directors</b>	<b>Directorships and executive positions in other enterprises</b>
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 Forsikring 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 Limited, (Deputy Chairman): Codan Forsikring A/S.
Christer Arne Bjellert *	Codan Forsikring 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

### Board of Directors (continued)

Gunilla Astrid Henriette Asker	Codan Forsikring A/S, Svenska Dagbladet Holding AB, SvD Børsplus AB, AB Göta Kanalbolag, Personal Finance Sverige AB, Schibsted Tillväxtmedier Annonzförsäljning AB, Pressens Morgontjänst KB, Compricer AB, Aftenposten Norway, (Chairman): A Perfect Guide AB, Svenska Dagbladet Annons AB.
Scott Egan	Codan Forsikring 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 Forsikring A/S, Försäkringsbranchens pensionskassa, Förbundsstyrelsen för FTF-facket för försäkring och finans.
Christian Sletten *	Codan Forsikring A/S.

### Board of Management

Pursuant to section 80 of the Danish Financial Business Act, the Board of Directors of Codan 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, (Deputy Chairman): Svensk Försäkring, (Directorship): Codan Forsikring A/S.
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 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 which the Company is facing.

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

Copenhagen, 27 April 2017

### **Board of Management**

Patrick Bergander  
*CEO*

Vivian Lund  
*EO*

### **Board of Directors**

Lars Nørby Johansen  
*Chairman*

Anthony Latham  
*Deputy Chairman*

Scott Egan

Gunilla Astrid Henriette Asker

Christer Arne Bjellert

Marianne Philip

Marie Elisabeth Sandblom

Christian Sletten



## **Independent auditors' report**

**To the shareholder of Codan A/S**

### **Opinion**

We have audited the financial statements of Codan A/S for the financial year 1 January - 31 December 2016, which comprise the income statement, the statement of comprehensive income, statement of financial position, notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial statements of the Company at December 31, 2016, and of the financial performance for the year then ended in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Statement of the Management Review**

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

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

### **Responsibilities of Management 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 Statements Act, and for such internal control as 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken 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 judgment and maintain professional scepticism throughout the audit. We also:

## **Independent auditors' report**

- Identify and assess the risks of material misstatement of the 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 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 content 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We are required to 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 27 April 2017

KPMG  
Statsautoriseret Revisionspartnerselskab

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

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

**Income statement**

<b>Note</b>	<b>DKK million</b>	<b>2016</b>	<b>2015</b>
<b>Investment return</b>			
		2 271,2	410,5
	Income from Group entities		
4	Income from investment properties	-	0,5
5	Interest income and dividends, etc.	11,8	21,7
6	Value adjustments	-57,1	1,0
7	Interest expenses	-26,9	-46,0
	Investment management expenses	-1,1	-3,0
<b>Total investment return</b>		<b>2 197,9</b>	<b>384,7</b>
8	Other expenses	-6,2	-6,4
<b>Profit before tax</b>		<b>2 191,7</b>	<b>378,3</b>
9	Tax	3,6	7,8
<b>Profit for the year</b>		<b>2 195,3</b>	<b>386,1</b>
<b>Proposal for the distribution of profit:</b>			
	Transfer to reserve for net revaluation according to the equity method	2 271,4	410,5
	Proposed dividend	2 500,0	-
	Transferred to retained earnings	-2 576,1	-24,4
		<b>2 195,3</b>	<b>386,1</b>

**Statement of comprehensive income**

	Currency translation adjustment, foreign subsidiaries	-251,5	275,2
	Currency translation adjustment, goodwill relating to foreign subsidiaries	12,7	-14,2
	Actuarial gains/losses on pension obligations	1,8	-3,9
	Tax on actuarial gains/losses on pension obligations	-0,4	0,8
	Other comprehensive income	3,4	-3,3
<b>Other comprehensive income</b>		<b>-234,0</b>	<b>254,6</b>
	Profit for the year	2 195,3	386,1
<b>Total comprehensive income</b>		<b>1 961,3</b>	<b>640,7</b>

**Balance sheet at 31 December**

<b>Note</b>	<b>DKK million</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>			
10	<b>Intangible assets</b>	<b>1 090,5</b>	<b>1 077,8</b>
11	<b>Investment properties</b>	-	-
12	Investments in Group entities	8 823,2	9 380,4
	<b>Total investments in Group entities</b>	<b>8 823,2</b>	<b>9 380,4</b>
13	Equity investments	10,5	149,7
13	Bonds	215,1	97,3
	<b>Total other financial assets</b>	<b>225,6</b>	<b>247,0</b>
	<b>Total investments</b>	<b>9 048,8</b>	<b>9 627,4</b>
13	Other receivables	2,4	0,2
14	<b>Total receivables</b>	<b>2,4</b>	<b>0,2</b>
15	Current tax assets	9,6	12,4
19	Deferred tax assets	5,2	5,7
13	Cash and cash equivalents	174,0	96,3
14	<b>Total other assets</b>	<b>188,8</b>	<b>114,4</b>
	Accrued interest and rent	3,5	1,2
	<b>Total accrued income</b>	<b>3,5</b>	<b>1,2</b>
	<b>Total assets</b>	<b>10 334,0</b>	<b>10 821,0</b>

**Balance sheet at 31 December**

Note	DKK million	2016	2015
<b>Equity and liabilities</b>			
16 <b>Share capital</b>		860,0	860,0
Reserve for net revaluation according to the equity method		140,7	718,4
Translation reserve		-26,8	-40,5
<b>Total reserves</b>		<b>113,9</b>	<b>677,9</b>
<b>Retained earnings</b>		<b>7 133,5</b>	<b>7 108,2</b>
<b>Total equity</b>		<b>8 107,4</b>	<b>8 646,1</b>
17 Pension obligations		18,8	22,7
19 Other provisions		5,1	4,8
20 <b>Total provisions</b>		<b>23,9</b>	<b>27,5</b>
Amounts owed to Group entities		2 200,9	2 144,4
Other payables		1,8	3,0
21 <b>Total payables</b>		<b>2 202,7</b>	<b>2 147,4</b>
<b>Total equity and liabilities</b>		<b>10 334,0</b>	<b>10 821,0</b>

**Notes without reference**

- 1 Accounting policies
- 2 Risk information
- 3 Key figures and financial ratios
- 22 Related parties
- 23 Security
- 24 Contingent assets, contingent liabilities and financial liabilities
- 25 Incentive schemes
- 26 Ownership information

## Statement of changes in equity

DKK million

	Share capital	Net revaluation according to the equity method	Translation reserve	Proposed dividend	Retained earnings	Total equity
<b>2016</b>						
<b>Equity, beginning of the year</b>	<b>860,0</b>	<b>718,4</b>	<b>-40,5</b>	<b>-</b>	<b>7 108,2</b>	<b>8 646,1</b>
<b>Changes in equity for 2016:</b>						
Currency translation adjustment, foreign subsidiaries	-	-252,5	1,0	-	-	-251,5
Currency translation adjustment, goodwill relating to foreign subsidiaries	-	-	12,7	-	-	12,7
Actuarial gains/losses on pension obligations	-	-	-	-	1,8	1,8
Tax on actuarial gains/losses on pension obligations	-	-	-	-	-0,4	-0,4
Other comprehensive income	-	3,3	-	-	0,1	3,4
	-	-249,2	13,7	-	1,5	<b>-234,0</b>
Profit for the year	-	2 271,4	-	-	-76,1	2 195,3
Total comprehensive income for the year	-	2 022,2	13,7	-	-74,6	<b>1 961,3</b>
Release of net revaluation reserve according to the equity method on disposal of subsidiaries	-	0,5	-	-	-0,5	-
Dividend paid	-	-	-	-	-2 500,0	-2 500,0
Dividends received from subsidiaries	-	-2 600,4	-	-	2 600,4	-
<b>Changes in equity for the year</b>	<b>-</b>	<b>-577,7</b>	<b>13,7</b>	<b>-</b>	<b>25,3</b>	<b>-538,7</b>
<b>Equity, end of the year</b>	<b>860,0</b>	<b>140,7</b>	<b>-26,8</b>	<b>-</b>	<b>7 133,5</b>	<b>8 107,4</b>

## Statement of changes in equity

DKK million

	Share capital	Net revaluation according to the equity method	Translation reserve	Proposed dividend	Retained earnings	Total equity
<b>2015</b>						
<b>Equity, beginning of the year</b>	<b>860,0</b>	<b>4 068,9</b>	<b>-25,1</b>	<b>1 800,0</b>	<b>4 235,8</b>	<b>10 939,6</b>
Change in accounting policy	-	-1 134,2	-	-	-	-1 134,2
<b>Restated equity, beginning of the year</b>	<b>860,0</b>	<b>2 934,7</b>	<b>-25,1</b>	<b>1 800,0</b>	<b>4 235,8</b>	<b>9 805,4</b>
<b>Changes in equity for 2015:</b>						
Currency translation adjustment, foreign subsidiaries	-	276,5	-1,3	-	-	275,2
Currency translation adjustment, goodwill relating to foreign subsidiaries	-	-	-14,2	-	-	-14,2
Actuarial gains/losses on pension obligations	-	-	-	-	-3,9	-3,9
Tax on actuarial gains/losses on pension obligations	-	-	-	-	0,8	0,8
Other comprehensive income	-	-3,2	0,1	-	-0,2	-3,3
	-	273,3	-15,4	-	-3,3	<b>254,6</b>
Profit for the year	-	410,5	-	-	-24,4	<b>386,1</b>
Total comprehensive income for the year	-	683,8	-15,4	-	-27,7	<b>640,7</b>
Release of net revaluation reserve according to the equity method on disposal of subsidiaries	-	-0,1	-	-	0,1	-
Dividend paid	-	-	-	-1 800,0	-	-1 800,0
Dividend received from subsidiaries	-	-2 900,0	-	-	2 900,0	-
<b>Changes in equity for the year</b>	<b>-</b>	<b>-2 216,3</b>	<b>-15,4</b>	<b>-1 800,0</b>	<b>2 872,4</b>	<b>-1 159,3</b>
<b>Equity, end of the year</b>	<b>860,0</b>	<b>718,4</b>	<b>-40,5</b>	<b>-</b>	<b>7 108,2</b>	<b>8 646,1</b>

## Notes to the financial statements

### Note

---

#### 1 Accounting policies

The annual report for 2016 of Codan 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 consists mainly of holding investments in general insurance companies conducting transactions in a number of different currencies, but primarily in DKK and SEK. The functional currency is the currency of the primary economic environment in which each individual company operates. Codan has adopted DKK as its presentation currency.

Codan's 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 Group.

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

##### Changes to accounting principles

Codan A/S and its Danish subsidiaries have implemented the Danish Financial Supervisory Authority's Executive orders no. 937 of 7 July 2015 and no. 668 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 executive order impacts the financial statements of Codan A/S through the recognition of investments in subsidiaries using the equity method. Any changes to the equity value of the subsidiaries caused by the changed accounting principles have been adjusted in the comparison numbers for Codan A/S.

The new executive order comprises changes to the accounting for and measurements 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 of 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 is the risk premium that a third party in principle will demand to take over the insurance contract provisions with the inherent risk. Profit margin on insurance contracts is recognised as the expected future profit on bound, but not yet incepted, and incepted insurance contracts with remaining risk period, meaning the insurance contracts which are today covered by the premium provisions.

Premium provision still covers 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. Risk margin and profit margin are presented in separate balance sheet items. Cash in-flows related to not collected premiums are reclassified from receivables.

The new rules have had a negative impact of DKK 1,264 million in Codan A/S' equity as of 1 January 2016. Comparison figures for 2015 have been adjusted in accordance with the new 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 for 2015 have been adjusted with the following figures:



## Notes to the financial statements

## Note

	<b>2015</b>
	<b>DKKm</b>
Income from Group entities	-109
Profit before tax	-109
Tax	0
<b>Profit for the period</b>	<b>-109</b>
Investments in Group entities	-1 265
<b>Total assets</b>	<b>-1 265</b>
Total equity	-1 265
<b>Total equity and liabilities</b>	<b>-1 265</b>

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

**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 thus 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.

## Notes to the financial statements

### Note

---

#### **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. In Codan and in Codan's Group entities, 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, properties, 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 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:

#### ***Insurance contract liabilities in Group entities conducting general insurance business***

The provisions for outstanding claims are 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 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.

#### ***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.

Provisions have not been made for deferred tax on contingency funds in Codan's Group entities. 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.

#### **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.

## Notes to the financial statements

### Note

---

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 constitutes an intra-group 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's 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 consolidated companies are conducted on an arm's length basis or on a cost-covering basis.

#### **Foreign currency translation**

The company's functional currency is DKK.

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 entities 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 entities 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,

## Notes to the financial statements

### Note

---

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**

##### ***Expenses***

Expenses are recognised in the income statement as other expenses and as investment management expenses. As a general rule, expenses that are not attributable to a function will be distributed proportionally on the basis of the amount of the directly attributable expenses.

##### ***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 only comprise foreign exchange contracts.

##### ***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 sale 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.

## Notes to the financial statements

### Note

---

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. 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. Codan 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.

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.

## Notes to the financial statements

### Note

---

#### Income statement

##### Investment return

Income from investment properties, excluding interest and fair value adjustments, includes rental income and other operating income less direct operating expenses, including property management costs.

Interest and interest-related income from bonds, other securities, loans and receivables as well as dividends on equity investments are recognised as 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).

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 Codan's share of Group entities' net profit after tax.

##### Other income and expenses

Other income and expenses include items that are not attributable to the management of the company's investments. Other expenses thus include part of Codan's staff costs and amortisation on intangible assets as well as an administration fee payable to the subsidiary Codan Forsikring A/S.

##### Tax

Codan is taxed jointly with the Danish subsidiaries. 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'.

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.

## Notes to the financial statements

### Note

---

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.

Codan's Group entities do not make provisions for deferred tax on contingency funds. According to the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pensions Funds (*Regnskabsbekendtgørelsen*), 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 companies cease 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 Codan's interest in an acquired entity over Codan'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. The determination of cash-generating units is 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.

## Notes to the financial statements

### Note

---

#### ***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**

##### ***Group-occupied properties in Group entities***

Group-occupied properties are properties used by the Codan companies for their own operations. On initial recognition, Group-occupied properties are measured at cost. Group-occupied properties are subsequently measured at revalued amount, equal to the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation is made on a continuous basis to ensure that the carrying amount does not differ significantly from the value that would be determined by using the fair value at the balance sheet date.

Any increases in the carrying amount arising from the revaluation of Group-occupied properties are recognised directly in equity as part of the revaluation reserve, unless the increase corresponds to any decrease in value previously recognised in the income statement. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve directly in equity, whereas other decreases are recognised in the income statement.

Valuations used to determine the fair value are primarily carried out by independent external valuers with the necessary professional knowledge about each property category and the area in which the property is located.

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.

Depreciation is charged to the income statement on a systematic basis over the estimated useful life of the asset. Depreciation is calculated on the basis of the revalued amount of the property less the expected residual value of the property at the end of its useful life. The depreciation period is usually 30 years. The properties' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

##### ***Impairment of development projects, other intangible assets and property and equipment***

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.

Goodwill 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.



## Notes to the financial statements

### Note

---

#### **Investment properties**

Properties held for long-term rental yields that are not occupied by the Codan companies for their own operations are classified as investment properties. Investment properties are measured at fair value according to the guidelines issued by the Danish Financial Supervisory Authority. A value for each individual property has been calculated using an expected future operating profit and a rate of return (return requirement). This value is adjusted for special factors which temporarily affect the earnings of the property, and the property's maintenance standard is taken into account. The rate of return has been determined by considering current market conditions for the individual property types as well as location, use, tenancy agreements, etc.

Valuations used to determine the fair value are primarily carried out by independent external valuers with the necessary professional knowledge about each property category and the area in which the property is located.

#### **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 Codan.

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, 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.

Currency translation adjustments are recognised directly in the income statement.

#### **Receivables**

Receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, and this 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.

## Notes to the financial statements

### Note

---

#### **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 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.

#### **Revaluation reserve**

The revaluation reserve includes gains arising from the revaluation of property and equipment at fair value. The reserve will be dissolved in the event of any reversal of revaluations made or in the event of disposal of the individual assets.

#### **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.

#### **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).

#### **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.

## Notes to the financial statements

### Note

---

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 financial expenses. 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.

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 a former employee.

#### 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 reductions 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. Changes in present values during the financial year are recognised as investment return.

#### Prepayments and accrued income

Prepayments and accrued 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 Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pensions Funds. The ratios included in the five year summary have been calculated as follows:

**Return on equity in %**                      Profit for the year in relation to average equity.

**Solvency ratio in %**                      Capital base less deductions in relation to capital requirement.

## Notes to the financial statements

### Note

---

#### 2 Risk information

##### **Risk management and control**

For Codan and its subsidiaries, as insurers and companies that take on risks, 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 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 the management of these within the risk appetite framework.

The Boards of Directors of Codan and its subsidiaries are responsible for ensuring the soundness of the companies with regard to capital requirements, liquidity, financial position and business practice. Codan's subsidiaries operate in accordance to 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 Boards of Directors of Codan's subsidiaries, determine the risk the companies can accept. These guidelines clearly describe 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.

Codan's subsidiaries build on underwriting capability as one of the key drivers of a 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 the subsidiary is willing to underwrite.

## Notes to the financial statements

### Note

---

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's subsidiaries place major focus on risk selection and risk quality alongside a disciplined approach to pricing to deliver 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 large 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's subsidiaries place great emphasis on portfolio management to provide overview to their 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'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.

The subsidiaries' 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 of each subsidiary. 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 the company 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 the business plans of subsidiaries, 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. 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's subsidiaries review the insurance risks accepted on a regular basis and assess these in relation to the underwriting, reinsurance and capital policies adopted.

#### *Insurance risk concentrations*

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.

Reinsurance is purchased partly in proportion to the total risk that the company is exposed to in various areas and partly as an upper limit to how large the risk may be in a given area. Reinsurance can also be purchased on a facultative basis for large, individual contracts. The costs of Codan's subsidiaries per claim event, their 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 for the various types of insurance risks is decided by the Board of Directors in Codan's subsidiaries. The level is reviewed annually by the Board of Directors to ensure that it is acceptable.

The Reinsurance Policy determines how reinsurance protection is to be structured to reduce the insurance risks of subsidiaries.

The insurance risks of Codan's subsidiaries are geographically located in Denmark, Sweden and Norway from where the majority of the premium income derives.

## Notes to the financial statements

### Note

---

To ensure adequate exposure to insurance risks and to protect the capital base, a structured reinsurance programme is maintained which also protects Codan's subsidiaries against single large losses and catastrophe events such as weather-related events.

#### *Non-catastrophe risks*

The Codan Group's reinsurance programme for 2016 was an excess of loss programme with a maximum retention of DKK 100 million for any one risk in respect of buildings, contents and business interruption insurance. The retention for personal accident claims was DKK 100 million, DKK 25 million for liability and DKK 30 million for motor third party liability claims. All reinsurance contracts are purchased on a Scandinavian or global basis, thereby reducing costs.

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 risks*

The Codan Group has taken out reinsurance cover for catastrophe events together with other companies in the RSA Group. In respect of natural disaster claims, reinsurance cover for a once-in-200-years event has been purchased, with the exception of a total RSA Group retention of GBP 25 million.

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 subject to a certain credit risk, which is described in more detail in the section on credit risk below. The creditworthiness of reinsurers is monitored on an ongoing basis to ensure the efficiency of the selected reinsurance cover.

#### *Reserving risk*

The 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 the Codan Group's experiences and generally accepted actuarial techniques for estimating provisions. The Codan Group 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 in Codan's subsidiaries 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 risks**

Codan's exposure to financial risks is primarily indirect via its subsidiaries. The financial risks described below are considered on an aggregated level, i.e. including subsidiaries, while the tables show Codan's direct exposure.

#### **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
  - o Ensuring that investments are in compliance with the investment rules set out in legislation;
  - o Ensuring full compliance with the Investment Policy laid down by the Board of Directors;
  - o Ensuring that the exposure of the investment portfolio is within the set limits;
  
- Operational efficiency
  - o Ensuring that liability cash flows are reflected in the structure of the investment portfolio;
  - o Ensuring that an investment management policy has been adopted;
  - o Ensuring cost control.

#### *Investment management*

Codan 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's investment policy laid down by the Board of Directors.

The investment policies of Codan and its subsidiaries lay 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 risks*

The majority of investments held by Codan's subsidiaries are in liquid listed bonds. Codan maintains conservative investment guidelines with a large share of the portfolios consisting of government bonds and highly rated securities. If the need should arise, it is expected that a credit facility can be obtained from the Group's primary banks on the basis of the RSA Group's A rating.

The short-term liquidity of Codan and its subsidiaries is monitored through ongoing cash management. Long-term cash management is managed and reviewed on an ongoing basis in connection with ALM-reporting (Asset Liability Management) to the management.

Changes in interest rates are among the risk factors which affect Codan's financial risks – either directly or through its subsidiaries. A significant aspect of Codan's risk management is to have a portfolio of fixed-income securities in the subsidiaries, which acceptably balances the opposing P&L effects of interest rate movements on assets and liabilities.

## Notes to the financial statements

## Note

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

Contractual repricing or maturity dates	DKK million		
<b>2016</b>	<b>1 - 2 years</b>	<b>&lt; 1 year</b>	<b>Total</b>
Danish fixed rate mortgage bonds	145,1	70,0	215,1
Call deposits etc.	-	174,0	174,0
<b>Financial assets</b>	<b>145,1</b>	<b>244,0</b>	<b>389,1</b>
Amounts owed to Group entities	1 100,0	1 100,9	2 200,9
Other payables	-	1,8	1,8
<b>Financial liabilities</b>	<b>1 100,0</b>	<b>1 102,7</b>	<b>2 202,7</b>
<b>2015</b>	<b>1 - 2 years</b>	<b>&lt; 1 year</b>	<b>Total</b>
Danish fixed rate mortgage bonds	-	97,3	97,3
Call deposits etc.	-	96,3	96,3
<b>Financial assets</b>	<b>-</b>	<b>193,6</b>	<b>193,6</b>
Amounts owed to Group entities	1 100,0	1 044,4	2 144,4
Other payables	-	3,0	3,0
<b>Financial liabilities</b>	<b>1 100,0</b>	<b>1 047,4</b>	<b>2 147,4</b>

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
<b>Financial assets</b>				
Danish fixed rate mortgage bonds	-2,7	-0,1	0,8	0,4
Other loans, deposits with credit institutions, call deposits, etc.	-	-	-	-
<b>Financial liabilities</b>				
Amounts owed to Group entities	-	-	-	-



## 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 subsidiaries, which, however, mitigates this risk through the use of FX forward contracts. Apart from the SEK exposure, Codan has limited currency risk as the technical provisions in subsidiaries are generally matched by investments in the same currency. In Codan's financial statements, results and equity of subsidiaries are translated into DKK. Consequently, significant changes in foreign exchange rates may affect Codan's results and equity.

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

Currency risk	DKK million				
	2016				
	EUR	GBP	NOK	SEK	Total
Investments in Group entities	-	-	30,6	-	30,6
Intangible assets	-	-	245,9	-	245,9
Other loans, deposits with credit institutions, call deposits,	0,1	0,1	782,6	0,1	782,9
Amounts owed to Group entities	-	-	-801,4	-	-801,4
Other payables	-	0,4	-	-	0,4
Other provisions	-	-	-5,4	-	-5,4
<b>Currency risk</b>	<b>0,1</b>	<b>0,5</b>	<b>252,3</b>	<b>0,1</b>	<b>253,0</b>

  

	2015				
	EUR	GBP	NOK	SEK	Total
Investments in Group entities	-	-	24,6	0,5	25,1
Intangible assets	-	-	233,3	-	233,3
Other loans, deposits with credit institutions, call deposits,	0,4	0,1	-780,0	0,1	-779,4
Amounts owed to Group entities	-	-	-760,1	-	-760,1
Other payables	-	0,4	-	-	0,4
Other provisions	-	-	-4,8	-	-4,8
<b>Currency risk</b>	<b>0,4</b>	<b>0,5</b>	<b>-1 287,0</b>	<b>0,6</b>	<b>-1 285,5</b>

*Equity risk*

On 31 December 2016, Codan had invested a total amount of DKK 11 million of its other financial assets in equities. In addition to this, Codan's subsidiaries had invested a total amount of DKK 1,420 million in equities at 31 December 2016.

*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.

## Notes to the financial statements

## Note

*Real estate risk*

Codan has only one direct investment in property through a subsidiary. In addition to direct investment in property, Codan has a minor exposure to properties via exchange-traded property trusts through the investment portfolios held by subsidiaries. The overall real estate risk is considered low.

**Credit risks**

Codan 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 in respect of 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 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's investment portfolio in its subsidiaries consists primarily of AAA-rated Danish and Swedish government and mortgage bonds. Codan's credit and counterparty risks are primarily tied to holdings of European corporate bonds, holdings of cash and deposits in banks and exposure on reinsurance counterparties – all through its subsidiaries. For European corporate bonds, issuers must have a credit rating of at least BBB.

Codan's maximum direct exposure to credit risk is shown in the table below.

<b>Maximum credit risk</b>	<b>DKK million</b>	<b>2016</b>	<b>2015</b>
Danish fixed rate mortgage bonds		215,1	97,3
Other receivables		2,4	0,2
Current tax assets		9,6	12,4
Cash and cash equivalents		174,0	96,3
Accrued interest and rent		3,5	1,2
<b>Maximum credit risk</b>		<b>404,6</b>	<b>207,4</b>

**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 the Enterprise 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. This information is reported periodically to the Own Risk & Solvency Assessment (ORSA) Committee and subsequently provided to the Board of Directors with risk reporting.

## Notes to the financial statements

### Note

---

#### **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 focusses on maintaining good internal control by appropriate routines and instructions and clearly defined roles and responsibilities for the employees. The Compliance function follow 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. The Compliance function 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 risks**

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

#### **Sensitivity analysis**

The Codan Group uses a number of sensitivity or stress test-based risk management tools to understand the impact on the Group's results and financial position in both normal and stressed market conditions.

#### **Capital and solvency**

Codan and its insurance subsidiaries calculate and monitor capital measures. Capital measures include accounting equity, own funds, and capital requirements as set out in the Danish Financial Supervisory Authority's regulation and the Solvency II regulation. The solvency capital requirements are for the Danish insurance subsidiaries calculated using an internal model, and are stress-tested using, for example, sensitivity testing and stress & scenario testing. For the Swedish insurance subsidiary, the solvency capital requirement is calculated using the standard formula.

The Board of Directors has established measures to monitor the capital position which is based on an overall risk assessment.

Codan continuously 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 measures for Codan and its insurance subsidiaries are currently met for all capital categories.

#### *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

## 3 Key figures and financial ratios

<b>Five year summary</b>	<b>DKK million</b>	<b>2016</b>	<b>2015*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total investment return		2 197,9	384,7	2 043,8	1 462,0	1 936,1
Profit for the year		2 195,3	386,1	2 024,5	1 418,3	1 897,8
Total equity		8 107,4	8 646,1	10 939,6	11 576,6	13 032,2
Total assets		10 334,0	10 821,0	14 131,4	15 067,0	14 122,6
Return on equity in %		26,2	4,2	18,0	12,0	14,4

\*) Key figures and financial ratios have been restated to reflect the changes in accounting policies (2012-2014 not restated).

## Notes to the financial statements

Note	DKK million	2016	2015
<b>4 Income from Investment properties</b>			
Rental income		-	0,9
Direct operating expenses relating to investment properties let during the financial year		-	-0,4
<b>Income from investment properties</b>		<b>-</b>	<b>0,5</b>
<b>5 Interest Income and dividends, etc.</b>			
Interest income from bonds, loans and deposits		5,3	2,4
Income from units in open-ended funds and other equity investments		6,5	19,3
<b>Interest income and dividends, etc.</b>		<b>11,8</b>	<b>21,7</b>
<b>6 Value adjustments</b>			
Investment properties		-	12,2
Equity investments		-65,0	-0,2
Bonds		-2,9	-2,9
Derivatives		52,5	-24,2
Total investment assets		-15,4	-15,1
Loans in foreign currency		-41,2	-40,5
Other value adjustments		-0,5	56,6
<b>Value adjustments</b>		<b>-57,1</b>	<b>1,0</b>
Realised gains and losses on investments		105,3	-44,5
Unrealised gains and losses on investments		-120,7	29,4
Other realised gains and losses		-41,9	61,0
Other unrealised gains and losses		0,2	-44,9
<b>Value adjustments</b>		<b>-57,1</b>	<b>1,0</b>
<b>7 Interest expenses</b>			
Interest payable to Group entities		-26,7	-45,7
Other financial expenses		-0,2	-0,3
<b>Interest expenses</b>		<b>-26,9</b>	<b>-46,0</b>

## Notes to the financial statements

Note	DKK million	2016	2015
<b>8 Other expenses</b>			
Administrative expenses in Codan			
Staff costs:			
Wages and salaries		-4,4	-3,4
Defined contribution schemes		-0,2	-0,4
Payroll tax		-0,4	-0,9
Other staff costs		1,6	1,0
Total staff costs		-3,4	-3,7
Administration fee to Codan Forsikring A/S		-3,5	-7,3
Other administrative expenses		-1,4	-1,6
Transferred to investment management expenses		1,0	2,9
Reimbursement from Group entities		1,1	3,3
<b>Total administrative expenses in Codan</b>		<b>-6,2</b>	<b>-6,4</b>
<b>Other expenses</b>		<b>-6,2</b>	<b>-6,4</b>
Converted into full-time employees, the average number of persons employed during the financial year was 1 persons (2 persons i 2015).			
<b>Earned remuneration of current and former members of the Board of Directors and Board of Management of Codan:</b>			
Remuneration of the Board of Directors (fixed remuneration)			
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)		-	-
<b>Remuneration to the Board of Directors</b>		<b>-2,4</b>	<b>-2,3</b>
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 payment (variable remuneration)		-1,4	-1,5
<b>Remuneration of the Board of Management</b>		<b>-13,8</b>	<b>-14,4</b>
CEO Patrick Bergander		-9,0	-7,0
EO Vivian Lund		-2,5	-
Former CFO Stig Pastwa		-2,3	-2,7
Former member of the Board of Management Vibeke Krag		-	-4,7
<b>Paid remuneration to the Board of Management</b>		<b>-13,8</b>	<b>-14,4</b>
<b>Number of employees in the Board of Management at 31 December</b>		<b>2</b>	<b>2</b>

## Notes to the financial statements

Note	DKK million	2016	2015
<b>8 Other expenses (continued)</b>			
Employees with material influence on the Company's risk profile			
Wages and salaries (fixed remuneration)		-7,4	-
Bonuses (variable remuneration)		-0,3	-
Pension benefits (fixed remuneration)		-0,7	-
Share-based payment (variable remuneration)		-0,1	-
		<b>-8,5</b>	<b>-</b>
Remuneration of employees with material influence on the company's risk		<b>-8,5</b>	<b>-</b>
Numbers of employees with material influence on the company's risk prof		<b>4</b>	<b>1</b>

Other disclosures on remuneration to current and former members of the Board of Directors and Board of Management of Codan:

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.

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

The company's CEO has a separate contract with Codan and its subsidiary Codan Forsikring A/S. The above specification includes the total remuneration for employment.

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.

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 25.

Members of the Board of Directors do not participate in incentive schemes as a result of their board duties at Codan.

Unfunded pension commitments were made to former member of the Board of Management Peter Zobel, cf. Note 18. These pension commitments are not included in the above specification.

**Fee to the company's auditor:**

KPMG current year	-0,5	-0,5
Remuneration, statutory audit	-0,5	-0,5
KPMG current year	-0,1	-
Remuneration, other assurance engagements	-0,1	-
Fee, statutory audit	<b>-0,6</b>	<b>-0,5</b>

## Notes to the financial statements

Note	DKK million	2016	2015
<b>9 Tax</b>			
Tax on total income for the year:			
Current tax expense		8,5	8,3
Change in deferred tax on temporary differences		-6,3	-0,2
<b>Tax on total income for the year</b>		<b>2,2</b>	<b>8,1</b>
Adjustments relating to previous years:			
Current tax for previous years		-4,8	0,4
Adjustment of deferred tax at 1 January		5,8	0,1
<b>Adjustments relating to previous years</b>		<b>1,0</b>	<b>0,5</b>
<b>Tax expense</b>		<b>3,2</b>	<b>8,6</b>
Tax is included as follows:			
Tax in the income statement		3,6	7,8
Tax on changes in equity		-0,4	0,8
<b>Tax expense</b>		<b>3,2</b>	<b>8,6</b>
Total tax on total income for the year can be explained as follows:			
Profit before tax		2 191,7	378,1
Reversal of income from Group entities		-2 271,2	-410,5
Actuarial gains and losses on pension obligations recognised in equity		1,8	-3,9
<b>Total income</b>		<b>-77,7</b>	<b>-36,3</b>
Applicable tax rate		22,0%	23,5%
Tax calculated on total income		17,1	8,5
Tax on permanent differences:			
Other equity investments		-13,9	-0,3
Expenses disallowed for tax purposes		-1,0	-
Other adjustments		-	-0,1
<b>Tax on total income for the year</b>		<b>2,2</b>	<b>8,1</b>
<b>Adjustment of tax relating to previous years</b>		<b>1,0</b>	<b>0,5</b>
<b>Tax expense</b>		<b>3,2</b>	<b>8,6</b>



## Notes to the financial statements

Note	DKK million		
<b>10 Intangible assets</b>			
	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total intangible assets</b>
<b>2016</b>			
Cost, beginning of the year	1 077,8	90,6	1 168,4
Currency translation adjustments, foreign subsidiaries	12,7	-	12,7
Cost, end of the year	1 090,5	90,6	1 181,1
Amortisation and impairment, beginning of the year	-	-90,6	-90,6
Amortisation and impairment, end of the year	-	-90,6	-90,6
Carrying amount, end of the year	<b>1 090,5</b>	-	<b>1 090,5</b>
Carrying amount, beginning of the year	1 077,8	-	1 077,8
Amortised on a straight-line basis over	5 and 10 years		
Amortisation is included in other expenses.			
<b>2015</b>			
Cost, beginning of the year	1 092,0	90,6	1 182,6
Currency translation adjustments, foreign subsidiaries	-14,2	-	-14,2
Cost, end of the year	1 077,8	90,6	1 168,4
Amortisation and impairment, beginning of the year	-	-90,6	-90,6
Amortisation and impairment, end of the year	-	-90,6	-90,6
Carrying amount, end of the year	<b>1 077,8</b>	-	<b>1 077,8</b>
Carrying amount, beginning of the year	1 092,0	-	1 092,0
Amortised on a straight-line basis over	5 and 10 years		
	<b>Net book value</b>	<b>Calculated headroom</b>	<b>WACC</b>
The value of goodwill can be broken down as follows:			
Acquired goodwill in relation to the purchase of Trygg-Hansa Försäkrings AB	888,5	16 130,7	8,08%
Acquired goodwill in relation to the purchase of Norwegian portfolios relating to Codan Forsikring	202,0	17,1	8,08%
Total goodwill 2015	<b>1 090,5</b>	<b>16 147,8</b>	

## Notes to the financial statements

<b>Note</b>	<b>DKK million</b>	<b>2016</b>	<b>2015</b>
<b>11 Investment properties</b>			
Carrying amount, beginning of the year		-	18,5
Disposals		-	-19,5
Adjustment to fair value during the year		-	1,0
Carrying amount, end of the year		-	-

## Notes to the financial statements

Note	DKK million	2016	2015
<b>12 Investment in Group entities</b>			
Cost, beginning of the year		9 780,1	9 780,1
Disposals		-0,5	-
Capital increase		20,0	-
Cost, end of the year		9 799,6	9 780,1
Adjustments, beginning of the year		-399,7	2 952,0
Adjustment due to change in accounting policy		-	-1 264,7
Exchange gains and losses		1,0	-1,3
Total comprehensive income for the year		2 022,2	814,3
Dividend received from subsidiaries		-2 600,4	-2 900,0
Reversal of adjustments relating to disposals during the year		0,5	-
Adjustments, end of the year		-976,4	-399,7
Carrying amount, end of the year		<b>8 823,2</b>	<b>9 380,4</b>

The carrying amount of investments in Group entities includes goodwill of DKK 490 million (DKK 505 million in 2015).

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

NIS Denmark A/S (Company liquidated during 2016)	-	0,5
NIS Sweden I AB*	-	-
NIS Sweden II AB (Company liquidated during 2016)	-	-
Codan Ejendomme II A/S	30,6	24,6
Codan Finance Ltd	1,3	1,3
Codan Forsikring A/S	8 791,3	9 354,0
Investments in Group entities	<b>8 823,2</b>	<b>9 380,4</b>

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

All subsidiaries are separate entities.

\* The company is valued at less than 0,1 mio. DKK.

Additional information on investments in Group entities:

	Registered office	Ownership interest %	Results	Equity
Companies carrying on insurance business:				
Codan Forsikring A/S	Frederiksberg	100,00	2 277,7	8 791,3
Dormant companies:				
NIS Sweden I AB (SEK)	Sweden	100,00	-	-
Investment companies:				
Codan Ejendomme II A/S (NOK)	Frederiksberg	100,00	-7,8	37,4
Codan Finance Ltd, 2014	England	100,00	-	1,3

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
<b>13 Financial instruments (assets)</b>			
The company's financial instruments below are broken down by the method according to which the assets are measured in the balance sheet.			
Assets measured at fair value:			
Financial instruments measured at fair value are adjusted through the income statement.			
Equity investments:			
Unlisted shares		10,5	149,7
Equity investments:		10,5	149,7
Other listed bonds		215,1	97,3
Fixed rate bonds		215,1	97,3
Financial instruments measured at fair value		225,6	247,0
Assets measured at amortised cost:			
Other receivables		2,4	0,2
Cash and cash equivalents		174,0	96,3
Financial instruments measured at amortised cost		176,4	96,5
Financial instruments		<b>402,0</b>	<b>343,5</b>

**14 Total receivables and other assets**

All receivables and other assets are to be settled within 12 months, except from deferred tax assets.

**15 Current tax assets and liabilities**

Current tax assets/liabilities, beginning of the year	12,4	-8,0
Current tax for the year	8,4	8,3
Adjustment of current tax relating to previous years	-4,8	0,4
Corporation tax received/paid during the year	-6,4	11,7
Current tax assets and liabilities, end of the year	<b>9,6</b>	<b>12,4</b>

**16 Share capital**

The company's fully paid share capital can be broken down as follows:

42,998,500 shares of DKK 20 each	860,0	860,0
Share capital	<b>860,0</b>	<b>860,0</b>

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 during the past 5 years.

## Notes to the financial statements

Note	DKK million	2016	2015
------	-------------	------	------

**17 Pension obligations**

Pension obligations in Codan 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).

Codan has one pension obligation that is not fully funded to former member of the Management, Peter Zobel.

Present value of defined benefit schemes	18,8	22,7
Net liability recognised in the balance sheet	18,8	22,7

No assets have been separated to cover pension obligations.

**Development in present value of defined benefit obligations:**

Pension obligations, beginning of the year	22,7	21,0
Calculated interest on obligation	0,2	0,2
Actuarial gains and losses	-1,8	3,9
Benefits paid	-2,3	-2,4
Pension obligations, end of the year	18,8	22,7

**Pension costs recognised in the income statement:**

Calculated interest on obligation	-0,2	-0,2
Total recognised for defined benefit schemes	-0,2	-0,2
Total recognised for defined contribution schemes	-0,2	-0,4
Pension costs recognised in the income statement	<b>-0,4</b>	<b>-0,6</b>

Assumptions used in the calculation of pension obligations:

Calculated interest on the obligation is based on the Danish FSA's yield curve.

The pension obligations are discounted using the Danish FSA's yield curve

## Notes to the financial statements

Note	DKK million	2016	2015
<b>18 Deferred tax assets and liabilities</b>			
Deferred tax assets/liabilities, beginning of the year		5,7	5,8
Change relating to property and equipment		-0,1	-0,2
Change relating to investments		-	-0,4
Change relating to pension obligations		-0,9	0,4
Change relating to short-term payables		-	0,1
Change relating to tax losses		0,5	-
		<b>5,2</b>	<b>5,7</b>
Specification of deferred tax assets and liabilities at the end of the year:			
Property and equipment		0,5	0,6
Pension obligations		4,1	5,0
Short-term payables		0,1	0,1
Tax losses		0,5	-
		<b>5,2</b>	<b>5,7</b>
<b>19 Other provisions</b>			
Other provision, beginning of the year		4,8	10,4
Value adjustments		0,3	-0,3
Paid during the year		-	-5,3
		<b>5,1</b>	<b>4,8</b>
Provision relating to the acquisition of Group entities, end of the year		<b>5,1</b>	<b>4,8</b>
Other provisions consists of:			
Provision related to the acquisition of Group entities		5,1	4,8
		<b>5,1</b>	<b>4,8</b>
<b>20 Total provisions</b>			
Current portion (less than one year)		2,3	2,3
Non-current portion (more than one year)		21,6	25,2
		<b>23,9</b>	<b>27,5</b>
<b>21 Total payables</b>			
No payables fall due more than five years after the balance sheet date.			

## Notes to the financial statements

### Note

---

#### 22 Related parties

##### Information on related parties

RSA Insurance Group plc., 20 Fenchurch Street, London, England owns 100% of the shares in Codan through a wholly-owned subsidiary in the Netherlands and consequently holds a controlling interest in the company.

##### Board of Directors, Board of Management and employees

The company's related parties furthermore include members of the Board of Directors and the Board of Management of Codan, the boards of directors, the 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, the Board of Management, executives, major shareholders or other related parties. The management remuneration is shown in note 8.

##### Related party transactions

In 2016, DKK 2,500 million were distributed as dividend to RSA Insurance Group plc.

The main part of the company's administrative tasks are carried out by its subsidiary Codan Forsikring A/S, while the company's own employees also carry out tasks for other companies in the Codan Group.

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 2016 Codan's income thereof amounted to DKK 1 million (DKK 6 million in 2015) and the expense thereof amounted to DKK 0 million in 2016 (DKK 3 million in 2015).

Administration fees payable to and receivable from subsidiaries are settled on a cost-covering basis. Administration fee payable to Codan Forsikring A/S amounted to DKK 3,5 million in 2016 (DKK 7,3 million in 2015). Administration agreement between Codan A/S and Codan Forsikring A/S was renegotiated in 2016 resulting in a reduced fee

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

As of 31 December 2016 the company had the following long-term loans from the subsidiaries: Codan Ejendomme II A/S of DKK 220,0 million and NIS Norway AS of NOK 979,4 million. The loans were obtained on an arm's length basis. The interest expenses amounted to DKK 13,5 million in 2016 (DKK

As of 31 December 2016 the company had a loan from the RSA subsidiary RSA Insurance plc. of DKK 1,100.0 million. The loan was obtained on an arm's length basis. The interest expense amounted to DKK 13,2 million in 2016 (DKK 16,2 million in 2015).

The company has entered in to a DKK/NOK hedge of DKK 780.0 million with the subsidiary Codan Ejendomme II A/S. The hedge were agreed on an arm's length basis.

#### 23 Security

At 31 December 2016, no assets were pledged as security.

## Notes to the financial statements

### Note

---

#### 24 Contingent assets, contingent liabilities and financial liabilities

##### **Contingent assets**

The company is involved in a few tax-related lawsuits, but in the Management's opinion, these lawsuits do not have a significant impact on the company's financial position.

##### **Contingent liabilities**

The company entered into inter-company agreements on the provision of administrative services, property management, etc.

The company is jointly registered with the majority of the 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.

#### 25 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.

##### **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.



## Notes to the financial statements

### Note

---

#### **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

## 25 Incentive schemes (continued)

**Board of Directors and Board of Management**

There are no bonus schemes or incentive schemes for the Board of Directors. The Board of Management is covered by the general bonus scheme and by RSA's incentive schemes as set out above.

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	-	-	-	-	-
Forfeited during the year	-5 390	-0,3	-2 242	-0,1	-	-
<b>Outstanding at 31 December 2015</b>	<b>113 944</b>	<b>6,1</b>	<b>38 448</b>	<b>2,1</b>	-	-
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	-	-
<b>Outstanding at 31 December 2016</b>	<b>112 709</b>	<b>6,0</b>	-	-	-	-

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 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	-	-	-	-
<b>Outstanding at 31 December 2016</b>	<b>11 366</b>	<b>0,6</b>	<b>2 304</b>	<b>0,1</b>	-	-

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

## 26 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	<b>5 690</b>	<b>0,3</b>	-	-	-	-
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 CEO of the company in May 2016.

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 31 December 2015	-	-	-	-	-	-
Outstanding at 1 January 2015	25 008	1,3	-	-	-	-
Granted during the year	4 744	0,3	-	-	-	-
Exercised during the year	-3 850	-0,2	-	-	-	-
Outstanding at 31 December 2016	<b>25 902</b>	<b>1,4</b>	-	-	-	-

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

## 26 Ownership information

## Ownership

RSA Insurance Group plc., 20 Fenchurch Street, London, England, owns 100 % of the shares in Codan A/S, through the wholly owned Dutch subsidiary RSA Overseas Holding B.V., Netherland.

## Group relationship

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