

CODAN A/S
INTERIM REPORT
30 JUNE 2018

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

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General information

**Board of Directors and
Board of Management**

Board of Directors:

Lars Nørby Johansen, Chairman
Phillip Wynford Moore, Deputy Chairman
Gunilla Astrid Henriette Asker
Christer Arne Bjellert*
Scott Egan
Marianne Philip
Marie Elisabeth Sandblom*
Christian Sletten*

*) Employee representative

Board of Management:

Patrick Bergander, CEO
Vivian Lund, Executive Officer

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 subsidiary Royal International Insurance Holdings Limited.

Address, etc.

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Company Reg. No. 56 77 12 12

Management's review

The Company's principal activity

Codan A/S is a financial 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 offer general insurance products to personal and commercial customers.

Interim Report for 2018

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

The interim Report for 2018 for Codan A/S is unaudited and 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). The accounting policies, which remain unchanged from last year, are described in the annual report for 2017.

A summary of key figures and financial ratios is provided in note 2 to the Interim Report.

Major events

Dividend

In June 2018, Codan A/S received an interim dividend from its subsidiary Codan Forsikring A/S of DKK 1,857 million.

On 21 June 2018 Codan A/S declared an interim dividend of DKK 1,657 million to RSA Overseas Holdings B.V., the parent company of Codan A/S.

The loan from NIS Norway AS of NOK 979 million and the loan from Codan Ejendomme II A/S of DKK 220 million was settled in April 2018 by obtaining a new loan from Codan Forsikring of DKK 1,000 million. At the same time the NOK/DKK forward exchange contracts entered with Codan Ejendomme II A/S was settled.

Management's review

Profit for the period and movements in equity

Codan A/S realised a profit for the first half of 2018 of DKK 1,008.2 million compared to DKK 1,015.2 million for the same period last. The decrease in profit is can be attributed to an increase in interest expenses of DKK 53 million related to the loan to RSA partly offset by an increase in income from Group entities, which increased from DKK 1,026.0 million in the first half of 2017 to DKK 1,070.2 million for the same period in 2018.

The equity in Codan A/S amounted to DKK 4,242.0 million compared with DKK 4,446.0 million at 30 June 2017 and DKK 5,216.6 million at 31 December 2017. The reduction in equity is primarily attributable to the distribution of dividends and profit for the period.

Income from Group entities

Income from Group entities amounted to DKK 1,070.2 million against DKK 1,026.0 million for the same period in 2017.

Income from Group entities can be broken down as follows: The profit for Codan Forsikring A/S amounted to DKK 1,072.5 million. The profit for other subsidiaries amounted to DKK -2.3 million.

Codan Forsikring A/S

Codan Forsikring A/S offers almost all types of general insurance products to private individuals and companies in the Scandinavian countries. Being the third largest player in both the personal and commercial markets, Codan Forsikring A/S holds a leading position in the general insurance market in Denmark. The Company has branches in Sweden, Norway and the United States.

For the first half of 2018 Codan Forsikring realised a profit of DKK 1,072.5 million, which is an increase compared to profit of DKK ,1033.4 million for the same period in 2017. The profit is achieved through a balance on the technical account of DKK 932.4 million compared to DKK 1,020.2 million for the first half of 2017, offset by a positive effect from the decreasing interest rates on the investment result.

Codan Forsikring shows a decrease of DKK 233.0 million in gross earned premium, from DKK 7,722.5 million for the first half of 2017 to DKK 7,489.5 million for the first half of 2018. The decrease is primarily attributable to decrease in premiums Norway and Sweden partly offset by increased premiums in Denmark. In Denmark premiums show increase in commercial business partly offset by decline in the private business. The Swedish business shows increase in the personal business partly offset by a slight decline in the commercial business amounting to a net increase in local currency but due to declining SEK rates towards DKK the Swedish business shows a decline in DKK. In Norway premiums are negatively affected by decrease in the commercial business both in local currency and converted into DKK.

The gross claims ratio for Codan Forsikring for the first half of 2018 is 68.8, which is an increase compared to last year where the claims rate was 66,4. The ratio covers an increase in large losses in Denmark and Sweden, and a negative development in the underlying claims for Denmark and Norway partly offset by a slight improvement for Sweden.

The company has managed to decrease expenses. This leads to a gross expense ratio of 17.0 compared to 18.1 for the same period last year. The company has a continued focus on reducing costs and are showing reduced personnel and it-costs.

The re-insurance activities of the company increased in 2018 and generated a loss of DKK 130.9 million against a loss of DKK 175.2 million last year. The results include the result of the quota sharing agreement related to the Marine Hull business for the claims year 2016, 2017 and 2018.

The combined ratio for the company was 87.5 against 86.7 for the same period last year. The combined ratio reflects the increased claims ratio partly offset by decreased expenses.

The investment return amounted to DKK 699.1 million for the first half of 2018 against DKK 247.2 million for the comparable period last year.

Management's review

Interest and value adjustments

Interest income, expenses and value adjustments for the first half of 2018 amounted to DKK -77.0 million against DKK -9.2 million for the same period last year. Interest income contains primarily income from units in open-ended funds and other equity investments, while interest expenses is mainly from interests on intercompany loans.

Loans and forward exchange contracts

The exchange adjustments relating to loans in foreign currency amounts to DKK -16.8 million against DKK 40.9 million for the same period last year. The company had entered into forward exchange contracts to hedge the exposure regarding the loans in foreign currency. Value adjustments on forward exchange contracts amounts to DKK 20.2 million for the first half of 2018 compared to DKK -25.3 million for the same period in 2017. Both loan in foreign currency and the corresponding forward exchange contract has been settled during the first half of 2018.

Equity investments and units in open-ended funds

The company continued to have an exposure to Danish unlisted shares. The company's equity investments and units in open-ended funds amounted to DKK 11.7 million at 30 June 2018 compared to DKK 11.6 million at 30 June 2017

Income from the company's investments in units in open-ended funds and other equity investments amounted to DKK 0.0 million against a return of DKK 0.2 million for the first half of 2017.

Bonds

The Company's investments in bonds have decreased during the first half of 2018 and amounts to DKK 258.8 million as of 30 June compared to DKK 285.9 million at 30 June 2017. The bonds are non-callable Danish mortgage bonds with a short duration.

Risk management in Codan

Reference is made to the section on risk management in the Management's review in the Annual Report for 2017. The description outlined still applies on 30 June 2018.

Risks and uncertainties

Codan A/S expects to continue to maintain the satisfactory insurance operating profit in subsidiaries for the remaining six months of the financial year in accordance with the expectations for the full year 2018 as outlined in the Annual Report for 2016.

However, the insurance result of subsidiaries will continue to be sensitive to the development in the financial situation and economic factors. Furthermore, the technical account of subsidiaries will particularly depend on developments in weather-related claims and large claims.

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 and consequently to the expected value adjustments for the remaining six months of the financial year.

Events subsequent to 30 June 2018

No events of material importance to the Company's financial position or business affairs have occurred subsequent to 30 June 2018.

Codan A/S - Interim Report 30 June 2018

Statement by the Boards of Directors and Management

The Board of Directors and Board of Management have today considered and approved the Interim Report for Codan A/S for the period 1 January to 30 June 2018.

The Interim Report of Codan A/S has been prepared in accordance with the Danish Financial Business Act.

It is our opinion that the interim report gives a true and fair view of the Company's financial position at 30 June 2018 and of its financial performance for the period 1 January to 30 June 2018. It is also our opinion that the Management's review contains gives a true and a fair view of developments in the Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

Copenhagen, 30 August 2018

Board of Management

Patrick Bergander
CEO

Vivian Lund
Executive Officer

Board of Directors

Lars Nørby Johansen
Chairman

Phillip Wynford Moore
Deputy Chairman

Gunilla Astrid Henriette Asker

Christer Arne Bjellert

Scott Egan

Marianne Philip

Maria Elisabeth Sandblom

Christian Sletten

Income statement

Note	DKK million	30 June 2018	30 June 2017	31 December 2017
Investment return				
	Income from Group entities	1,070.2	1,026.0	1,961.1
3	Interest income and dividends, etc.	1.0	2.9	3.8
4	Value adjustments	2.3	15.3	14.6
5	Interest expenses	-80.3	-27.4	-110.3
	Investment management expenses	-0.6	-0.5	-0.9
Total investment return		992.6	1,016.3	1,868.3
6	Other expenses	-1.9	-4.5	-3.4
Profit before tax		990.7	1,011.8	1,864.9
	Tax	17.5	3.4	22.5
Profit for the period		1,008.2	1,015.2	1,887.4

Statement of comprehensive income

	Currency translation adjustment, subsidiaries	-333.7	-64.4	-172.1
	Currency translation adjustment, goodwill re. subsidiaries	7.9	-12.4	-18.6
	Actuarial gains/losses on pension obligations	-	-	17.0
	Tax on actuarial gains/losses on pension obligations	-	-	-3.7
	Other comprehensive income	0.4	0.2	-0.8
Other comprehensive income		-325.4	-76.6	-178.2
Profit for the period		1,008.2	1,015.2	1,887.4
Total comprehensive income for the period		682.8	938.6	1,709.2

Balance sheet

Note	DKK million	30 June 2018	30 June 2017	31 December 2017
Assets				
	Intangible assets	1,079.9	1,078.1	1,072.0
7	Investments in Group entities	7,289.6	7,583.7	8,410.1
	Total investments in Group entities	7,289.6	7,583.7	8,410.1
	Equity investments	11.7	11.6	11.7
	Bonds	258.8	285.9	115.2
	Derivatives	-	-	3.8
	Total other financial assets	270.5	297.5	130.7
	Total investments	7,560.1	7,881.2	8,540.8
	Receivables from Group entities	46.6	6.0	21.0
	Other receivables	5.4	2.7	0.5
	Total receivables	52.0	8.7	21.5
	Current tax assets	39.5	13.6	21.8
	Deferred tax assets	0.3	4.6	0.4
	Cash and cash equivalents	18.6	1.3	84.2
	Total other assets	58.4	19.5	106.4
	Accrued interest and rent	0.6	1.9	1.2
	Total accrued income	0.6	1.9	1.2
	Total assets	8,751.0	8,989.4	9,741.9

Balance sheet

Note	DKK million	30 June 2018	30 June 2017	31 December 2017
Equity and liabilities				
Share capital		860.0	860.0	860.0
Reserve for net revaluation according to the equity method		-	-	759.0
Translation reserve		-38.7	-40.8	-47.4
Total reserves		-38.7	-40.8	711.6
Retained earnings		3,420.7	3,626.8	3,645.0
Total equity		4,242.0	4,446.0	5,216.6
Pension and other similar obligations		-	18.8	-
Other provisions		4.8	4.8	4.7
Total provisions		4.8	23.6	4.7
Amounts owed to Group entities		4,502.9	4,490.0	4,517.5
Other payables		1.3	29.8	3.1
Total payables		4,504.2	4,519.8	4,520.6
Total equity and liabilities		8,751.0	8,989.4	9,741.9

Notes without reference

- 1 Accounting policies
- 2 Key figures and financial ratios

Statement of changes in equity

	DKK million	Share capital	Revaluation reserves	Translation reserve	Retained earnings	Proposed dividend	Total equity
2017							
Equity, beginning of the year		860.0	140.7	-26.8	7,133.5	-	8,107.4
Currency translation adjustment, foreign subsidiaries		-	-170.1	-2.0	-	-	-172.1
Currency translation adjustment, goodwill relating to foreign		-	-	-18.6	-	-	-18.6
Actuarial gains/losses on pension obligations		-	-	-	17.0	-	17.0
Tax on actuarial gains/losses on pension obligations		-	-	-	-3.7	-	-3.7
Other comprehensive income		-	-0.8	-	-	-	-0.8
Profit/loss for the year		-	-170.9	-20.6	13.3	-	-178.2
Total comprehensive income for the year		-	1,961.1	-	-73.7	-	1,887.4
Release of net revaluation reserve according to the equity method on disposal of subsidiaries		-	1,029.4	-	-1,029.4	-	-
Dividend paid		-	-	-	-	-4,600.0	-4,600.0
Distributed interim dividend		-	-	-	-4,600.0	4,600.0	-
Dividends received from subsidiaries		-	-2,201.3	-	2,201.3	-	-
Changes in equity for the year		-	618.3	-20.6	-3,488.5	-	-2,890.8
Equity, end of the year		860.0	759.0	-47.4	3,645.0	-	5,216.6

Statement of changes in equity

	DKK million	Share capital	Revaluation reserves	Translation reserve	Retained earnings	Proposed dividend	Total equity
30 June 2017							
Equity, beginning of period		860.0	140.7	-26.8	7,133.5	-	8,107.4
Currency translation adjustment, subsidiaries		-	-62.8	-1.6	-	-	-64.4
Currency translation adjustment, goodwill relating to subsidiaries		-	-	-12.4	-	-	-12.4
Disposal of subsidiaries in period		-	1,029.4	-	-1,029.4	-	-
Other comprehensive income		-	0.2	-	-	-	0.2
Profit/loss for the period		-	966.8	-14.0	-1,029.4	-	-76.6
Total comprehensive income for the period		-	1,026.0	-	-10.8	-	1,015.2
Release of negative revaluation reserve, equity method		-	67.8	-	-67.8	-	-
Dividends received from subsidiaries		-	-2,201.3	-	2,201.3	-	-
Declared interim dividend		-	-	-	-4,600.0	4,600.0	-
Dividend paid		-	-	-	-	-4,600.0	-4,600.0
Changes in equity for the period		-	-140.7	-14.0	-3,506.7	-	-3,661.4
Equity, end of the period		860.0	-	-40.8	3,626.8	-	4,446.0
30 June 2018							
Equity, beginning of period		860.0	759.0	-47.4	3,645.0	-	5,216.6
Currency translation adjustment, subsidiaries		-	-334.5	0.8	-	-	-333.7
Currency translation adjustment, goodwill relating to subsidiaries		-	-	7.9	-	-	7.9
Other comprehensive income		-	0.4	-	-	-	0.4
Profit/loss for the period		-	-334.1	8.7	-	-	-325.4
Total comprehensive income for the period		-	1,070.2	-	-62.0	-	1,008.2
Release of negative revaluation reserve, equity method		-	736.1	8.7	-62.0	-	682.8
Dividends received from subsidiaries		-	362.3	-	-362.3	-	-
Declared interim dividend		-	-1,857.4	-	1,857.4	-	-
Dividend paid		-	-	-	-1,657.4	1,657.4	-
Changes in equity for the period		-	-	-	-	-1,657.4	-1,657.4
Changes in equity for the period		-	-759.0	8.7	-224.3	-	-974.6
Equity, end of the period		860.0	-	-38.7	3,420.7	-	4,242.0

Notes to the financial statements

1 Accounting policies

The interim Report for 2018 for Codan A/S is unaudited and 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).

Codan A/S is a subsidiary of 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 A/S Group.

The accounting policies remain unchanged from the Annual Report for 2017.

Notes to the financial statements

Note	DKK million	30 June 2018	30 June 2017	31 December 2017
2 Key figures and financial ratios				
Total investment return		992.6	1,016.3	1,868.3
Profit for the period		1,008.2	1,015.2	1,887.4
Total equity		4,242.0	4,446.0	5,216.6
Total assets		8,751.0	8,989.4	9,741.9
Return on equity in %		46.4	22.1	28.3
3 Interest income and dividends, etc.				
Interest income from bonds, loans and deposits		1.0	2.7	3.5
Income from units in open-ended funds and other equity		-	0.2	0.3
Interest income and dividends, etc.		1.0	2.9	3.8
4 Value adjustments				
Equity investments		-	1.2	1.2
Bonds		-1.1	-1.5	-2.9
Derivatives		20.2	-25.3	-45.0
Total investments		19.1	-25.6	-46.7
Loans in foreign currency		-	40.9	-
Other value adjustments		-16.8	-	61.3
Value adjustments		2.3	15.3	14.6
Realised gains and losses on investments		21.3	-1.9	-53.2
Unrealised gains and losses on investments		-2.2	-23.7	6.5
Other realised gains and losses		-0.1	-	-
Other unrealised gains and losses		-16.7	40.9	61.3
Value adjustments		2.3	15.3	14.6
5 Interest expenses				
Interest payable to Group entities		-80,3	-25,0	-110,3
Other financial expenses		-	-2,4	-
Interest expenses		-80,3	-27,4	-110,3
6 Other expenses				
Included in other expenses are staff costs, other administrative expenses and amortisation of intangible assets.				

Notes to the financial statements

Note	DKK million	30 June 2018	30 June 2017	31 December 2017
7 Investments in Group entities				
Cost, beginning of the period		8,770.2	9,799.6	9,799.6
Disposals		-	-1,029.4	-1,029.4
Cost, end of the period		8,770.2	8,770.2	8,770.2
Adjustments, beginning of the period		-360.1	-976.4	-976.4
Exchange gains and losses		0.8	-1.6	-2.0
Total comprehensive income for the period		736.1	963.4	1,790.2
Dividend received from subsidiaries		-1,857.4	-2,201.3	-2,201.3
Reversal of adjustments relating to disposals during the year		-	1,029.4	1,029.4
Adjustments, end of the period		-1,480.6	-1,186.5	-360.1
Investments in Group entities		7,289.6	7,583.7	8,410.1

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

NIS Sweden I AB	-	-	-
Codan Ejendomme II A/S	22.4	30.4	23.8
Codan Forsikring A/S	7,267.2	7,553.3	8,386.2
Investments in Group entities	7,289.6	7,583.7	8,410.0

Equity in Group entities, which has formed the basis for the calculation of Codan A/S's share as specified above, has been determined in accordance with the accounting policies of Codan A/S. Codan Finance Ltd. was dissolved during H1 2017.

All subsidiaries are separate entities.

Additional information on investments in Group entities:

	Registered office	Ownership interest %	Results H1 2018	Equity H1 2018
Companies carrying out insurance business:				
Codan Forsikring A/S	Frederiksberg	100	1,072.5	7,267.2
Companies carrying out investment business:				
Codan Ejendomme II A/S	Frederiksberg	100	-2.2	22.4
Dormant companies:				
NIS Sweden I AB	Sweden	100	-	-

Results and equity in Group entities as stated above have been prepared in accordance with the accounting policies of Codan A/S.