

**CODAN A/S
INTERIM REPORT
30 JUNE 2017**

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
Anthony Piers Latham, 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 Dutch subsidiary RSA Overseas Holding B.V., Netherland.

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 2017

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 2017 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 2016.

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

Major events

Dividend

In the course of the first six months of 2017, Codan A/S received an interim dividend from its subsidiary Codan Forsikring A/S of DKK 2,200 million and DKK 1.3 million from Codan Finance Ltd.

On 31 May 2017 Codan A/S declared an interim dividend of DKK 4,600 million to RSA Overseas Holdings B.V., the parent company of Codan A/S.

Dissolution of Codan Finance Ltd.

Codan Finance Ltd. Has been dissolved in January 2017 and the remaining dividend has been paid to Codan A/S.

New intercompany loan

In connection with the interim dividend of DKK 4,600 million to RSA Overseas Holdings B.V. the existing loan of DKK 1,100 million has been repaid and a new loan of DKK 3,500 million has been created.

Management's review

Profit for the period and movements in equity

Codan A/S posts a profit for the first half of 2017 of DKK 1,015.2 million, which as an improvement of DKK 131.8 million compared to the same period last year, where the profit was DKK 883.4 million. The increase in profit is primarily attributable to income from Group entities, which increased from DKK 888.6 million in the first half of 2016 to DKK 1,026.0 million for the same period in 2017.

The equity in Codan A/S amounted to DKK 4,446.0 million compared with DKK 7,879.4 million at 30 June 2016 and DKK 8,107.4 million at 31 December 2016. The reduction in equity is primarily attributable to the distribution of dividends.

Income from Group entities

Income from Group entities amounted to DKK 1,026.0 million against DKK 888.6 million for the comparable prior year period.

Income from Group entities can be broken down as follows: The profit for Codan Forsikring A/S amounted to DKK 1,033.5 million. The profit for other subsidiaries amounted to DKK -7.5 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, United States and Estonia.

For the first half of 2017 Codan Forsikring realised a profit of DKK 1,033.5 million, which is an increase compared to profit of DKK 893.9 million for the same period in 2016. The profit is achieved through a balance on the technical account exceeding that of last year, partly offset by a negative effect from the increasing interest rates on the investment result.

Codan Forsikring shows a decrease of DKK 110.2 million in gross earned premium, from DKK 7,832.9 million for the first half of 2016 to DKK 7,722.5 million for the first half of 2017. The decrease is primarily attributable to decrease in premiums in Denmark and Sweden partly offset by increased premiums in Norway. In Denmark premiums show decline in both the commercial and private business. The Swedish business shows growth mainly in the private business in local currency but due to declining SEK rates towards DKK the Swedish business shows a decline in DKK. In Norway premiums are positively affected by increase in the commercial business.

The gross claims ratio for Codan Forsikring for the first half of 2017 is 66.4, which is an improvement compared to last year where the claims rate was 70.1. The ratio covers an decrease in large losses, and a positive development in the underlying claims for all three countries.

The company has managed to decrease expenses. This leads to a gross expense ratio of 18.1 compared to 20.1 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 decreased in 2017 and generated a loss of DKK 175.2 million against a loss of DKK 144.4 million last year. The results include the result of the quota sharing agreement related to the Marine Hull business for the claims year 2016 and 2017.

The combined ratio for the company was 86.7 against 92.0 for the same period last year. The combined ratio reflects the declining claims ratio and expenses.

The investment return amounted to DKK 247.2 million for the first half of 2017 against DKK 1,526.8 million for the comparable prior year period.

Management's review

Interest and value adjustments

Interest income, expenses and value adjustments for the first half of 2017 amounted to DKK -9.2 million against DKK 1.0 million for the same period in 2016. 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 -0.0 million against DKK -23.3 million for the same period last year. The company has entered into forward exchange contracts to hedge the exposure regarding the loans in foreign currency. Value adjustments on forward exchange contracts amounts to DKK -25.3 million for the first half of 2017 compared to DKK 34.2 million for the first half of 2016.

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 11.6 million at 30 June 2017, equal to 0.0 % of the total investment portfolio (1.7 % in 2016).

Income from the company's investments in units in open-ended funds and other equity investments amounted to DKK 0.2 million against a return of DKK 6.3 million for the first half of 2016.

Bonds

The Company's investments in bonds have increased during the first half of 2017 and amounts to DKK 285.9 million as of 30 June compared to DKK 97.8 million last year. 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 2016. The description outlined still applies on 30 June 2017.

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 2017 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 2017

No events of material importance to the Company's financial position or business affairs have occurred subsequent to 30 June 2017.

Codan A/S - Interim Report 30 June 2017

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 2017.

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 2017 and of its financial performance for the period 1 January to 30 June 2017. 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, 16 August 2017

Board of Management

Patrick Bergander
CEO

Vivian Lund
Executive Officer

Board of Directors

Lars Nørby Johansen
Chairman

Anthony Piers Latham
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 2017	30 June 2016	31 December 2016
Investment return				
		1,026.0	888.6	2,271.2
3	Income from Group entities	2.9	7.2	11.8
	Interest income and dividends, etc.	15.3	10.4	-57.1
4	Value adjustments	-27.4	-16.6	-26.9
5	Interest expenses	-0.5	-2.1	-1.1
	Investment management expenses	1,016.3	887.5	2,197.9
	Total investment return			
6	Other expenses	-4.5	-4.4	-6.2
	Profit before tax	1,011.8	883.1	2,191.7
	Tax	3.4	0.3	3.6
	Profit for the period	1,015.2	883.4	2,195.3

Statement of comprehensive income

	Currency translation adjustment, subsidiaries	-64.4	-157.2	-251.5
	Currency translation adjustment, goodwill re. subsidiaries	-12.4	7.1	12.7
	Actuarial gains/losses on pension obligations	-	-	1.8
	Tax on actuarial gains/losses on pension obligations	-	-	-0.4
	Other comprehensive income	0.2	-	3.4
	Other comprehensive income	-76.6	-150.1	-234.0
	Profit for the period	1,015.2	883.4	2,195.3
	Total comprehensive income for the period	938.6	733.3	1,961.3

Balance sheet

Note	DKK million	30 June 2017	30 June 2016	31 December 2016
Assets				
	Intangible assets	1,078.1	1,085.0	1,090.5
7	Investments in Group entities	7,583.7	8,511.3	8,823.2
	Total investments in Group entities	7,583.7	8,511.3	8,823.2
	Equity investments	11.6	150.5	10.5
	Bonds	285.9	97.8	215.1
	Derivatives	-	34.2	-
	Total other financial assets	297.5	282.5	225.6
	Total investments	7,881.2	8,793.8	9,048.8
	Receivables from Group entities	6.0	-	-
	Other receivables	2.7	0.2	2.4
	Total receivables	8.7	0.2	2.4
	Current tax assets	13.6	12.4	9.6
	Deferred tax assets	4.6	7.3	5.2
	Cash and cash equivalents	1.3	151.8	174.0
	Total other assets	19.5	171.5	188.8
	Accrued interest and rent	1.9	1.1	3.5
	Total accrued income	1.9	1.1	3.5
	Total assets	8,989.4	10,051.6	10,334.0

Balance sheet

Note	DKK million	30 June 2017	30 June 2016	31 December 2016
Equity and liabilities				
Share capital		860.0	860.0	860.0
Reserve for net revaluation according to the equity method		-	-	140.7
Translation reserve		-40.8	-32.7	-26.8
Total reserves		-40.8	-32.7	113.9
Retained earnings		3,626.8	7,052.1	7,133.5
Proposed dividend		-	-	-
Total equity		4,446.0	7,879.4	8,107.4
Pension and other similar obligations		18.8	22.7	18.8
Other provisions		4.8	4.9	5.1
Total provisions		23.6	27.6	23.9
8 Amounts owed to Group entities		4,490.0	2,143.5	2,200.9
Other payables		29.8	1.1	1.8
Total payables		4,519.8	2,144.6	2,202.7
Total equity and liabilities		8,989.4	10,051.6	10,334.0

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
2016							
Equity, beginning of the year		860.0	718.4	-40.5	7,108.2	-	8,646.1
Changes in equity for the year:							
Currency translation adjustment, foreign subsidiaries		-	-252.5	1.0	-	-	-251.5
Currency translation adjustment, goodwill relating to foreign		-	-	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
Profit/loss for the year		-	-249.2	13.7	1.5	-	-234.0
Total comprehensive income for the year		-	2,271.4	-	-76.1	-	2,195.3
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	-	-
Changes in equity for the year		-	-577.7	13.7	25.3	-	-538.7
Equity, end of the year		860.0	140.7	-26.8	7,133.5	-	8,107.4

Statement of changes in equity

	DKK million	Share capital	Revaluation reserves	Translation reserve	Retained earnings	Proposed dividend	Total equity
30 June 2016							
Equity, beginning of period		860.0	718.4	-40.5	7,108.2	-	8,646.1
Currency translation adjustment, subsidiaries		-	-157.9	0.7	-	-	-157.2
Currency translation adjustment, goodwill relating subsidiaries		-	-	7.1	-	-	7.1
Other comprehensive income		-	-	-	-	-	-
Profit/loss for the period		-	-157.9	7.8	-	-	-150.1
		-	888.6	-	-5.2	-	883.4
Total comprehensive income for the period		-	730.7	7.8	-5.2	-	733.3
Release of negative revaluation reserve, equity method		-	151.3	-	-151.3	-	-
Dividends received from subsidiaries		-	-1,600.4	-	1,600.4	-	-
Declared interim dividend		-	-	-	-1,500.0	1,500.0	-
Dividend paid		-	-	-	-	-1,500.0	-1,500.0
Changes in equity for the period		-	-718.4	7.8	-56.1	-	-766.7
Equity, end of the period		860.0	-	-32.7	7,052.1	-	7,879.4
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
		-	1,026.0	-	-10.8	-	1,015.2
Total comprehensive income for the period		-	1,992.8	-14.0	-1,040.2	-	938.6
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

Notes to the financial statements

1 Accounting policies

The interim Report for 2017 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 2016.

Notes to the financial statements

Note	DKK million	30 June 2017	30 June 2016	31 December 2016
2 Key figures and financial ratios				
Total investment return		1,016.3	887.5	2,197.9
Profit for the period		1,015.2	883.4	2,195.3
Total equity		4,446.0	7,879.4	8,107.4
Total assets		8,989.4	10,051.6	10,334.0
Return on equity in %		22.1	17.9	26.2
3 Interest income and dividends, etc.				
Interest income from bonds, loans and deposits		2.7	0.9	5.3
Income from units in open-ended funds and other equity		0.2	6.3	6.5
Interest income and dividends, etc.		2.9	7.2	11.8
4 Value adjustments				
Equity investments		1.2	0.8	-65.0
Bonds		-1.5	-1.0	-2.9
Derivatives		-25.3	34.2	52.5
Total investments		-25.6	34.0	-15.4
Loans in foreign currency		40.9	-23.3	-41.2
Other value adjustments		-	-0.3	-0.5
Value adjustments		15.3	10.4	-57.1
Realised gains and losses on investments		-1.9	-1.5	105.3
Unrealised gains and losses on investments		-23.7	35.4	-120.7
Other realised gains and losses		-	-41.5	-41.9
Other unrealised gains and losses		40.9	18.0	0.2
Value adjustments		15.3	10.4	-57.1
5 Interest expenses				
Interest payable to Group entities		-25.0	-16.6	-26.7
Other financial expenses		-2.4	-	-0.2
Interest expenses		-27.4	-16.6	-26.9
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 2017	30 June 2016	31 December 2016
7 Investments in Group entities				
Cost, beginning of the period		9,799.6	9,780.1	9,780.1
Disposals		-1,029.4	-0.5	-0.5
Cost, end of the period		8,770.2	9,779.6	9,799.6
Adjustments, beginning of the period		-976.4	-399.7	-399.7
Exchange gains and losses		-1.6	0.7	1.0
Disposals		-	0.4	-
Total comprehensive income for the period		1,992.8	730.7	2,022.2
Dividends from subsidiaries		-2,201.3	-1,600.4	-2,600.4
Reversal of adjustments relating to disposals during the year		-	-	0.5
Adjustments, end of the period		-1,186.5	-1,268.3	-976.4
Investments in Group entities		7,583.7	8,511.3	8,823.2
The value of investments in Group entities can be broken down as follows:				
NIS Sweden I AB		0.0	0.0	0.0
Codan Ejendomme II A/S		30.4	20.0	30.6
Codan Finance Ltd		-	1.3	1.3
Codan Forsikring A/S		7,553.3	8,490.0	8,791.3
Investments in Group entities		7,583.7	8,511.3	8,823.2

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 2017	Equity H1 2017
Companies carrying out insurance business:				
Codan Forsikring A/S	Frederiksberg	100	1,033.5	7,553.3
Companies carrying out investment business:				
Codan Ejendomme II A/S	Frederiksberg	100	-7.5	30.4
Codan Finance Ltd.	Great Britain	100	0.0	0.0
Dormant companies:				
NIS Sweden I AB	Sweden	100	0.0	0.0

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

Codan A/S - Interim Report 30 June 2017

Note	DKK million	30 June 2017	30 June 2016	31 December 2016
8 Amounts owed to Group entities				
NIS Norway AS		767.3	791.9	801.4
Codan Ejendomme II A/S		220.6	221.6	220.0
Royal & Sun Alliance Insurance plc		3,502.1	1,102.2	1,108.8
Codan Finance Ltd.		-	-	1.3
Codan Forsikring A/S		-	27.8	69.4
Amounts owed to Group entities		4,490.0	2,143.5	2,200.9