

# **CODAN**

## **CODAN FORSIKRING A/S INTERIM REPORT H1 2016**

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

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## General information

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**Board of Directors and  
Board of Management**

**Board of Directors:**

Lars Nørby Johansen, Chairman  
Anthony Piers Latham, Deputy Chairman  
Christer Arne Bjellert\*  
Scott Egan  
Marianne Philip  
Marie Elisabeth Sandblom\*  
Christian Sletten\*

\*) Employee representative

**Board of Management:**

Patrick Bergander, CEO  
Vivian Lund, Executive Officer

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**Auditors**

**Auditors elected by the general meeting:**

KPMG Statsautoriseret Revisionspartnerselskab

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**Ownership**

Codan A/S, Frederiksberg, owns all of the shares in Codan Forsikring A/S.

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**Address, etc.**

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DK-1850 Frederiksberg C  
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Company Reg. No.: 10 52 96 38

### Management's review

#### The Company's Business model

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

#### Interim Report for 2016

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

The Interim Report for 2016 is unaudited and has 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*). The Danish Financial Supervisory Authority has issued a new executive order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds effective from 1 January 2016. The accounting policies have been changed as a consequence of implementing this Executive Order. Changes to accounting policies are described in note 1 to the Interim Report. Accounting policies not mentioned in note 1 are unchanged from last year and are described in the Annual Report for 2015.

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

#### Major events

##### *Solvency II*

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

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

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

##### *New Executive Order on accounting*

The new executive order comprises new presentation and changes in the measurement of insurance contract provisions, but do also introduce new items as risk margin and profit margin. In addition to this, a new interest curve, calculated by the European Insurance and Occupational Pension Authority (EIOPA) is introduced.

The new rules have had a negative impact on Codan Forsikring's equity with DKK 1,265 million. Comparison figures have been adjusted to reflect the changed accounting policies. The changes are described in note 1, Accounting Policies.

### Management's review

#### *New Executive Officer*

During the first half of 2016, Head of Legal and Compliance, Vivian Lund, has been appointed Executive Officer of Codan Forsikring A/S.

#### *Dissolution of equalisation reserve*

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

#### *Transfer of loss of earning capacity portfolio*

Codan Forsikring has made an agreement to transfer the Loss of Earning Capacity portfolio to SEB as originally agreed in 2005. The transfer of the portfolio is subject to approval by the Danish Financial Supervisory Authority and is expected to be concluded during third quarter of 2016. The transfer does not significantly impact Codan Forsikring's profit in 2016.

#### *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.

#### *Interim dividend for 2016*

On 27 May 2016 the company declared an interim dividend of DKK 1,600 million to the parent company, Codan A/S. The dividend was decided based on the rules on solvency, stress scenarios and registered assets as set out in the legislation governing insurance companies.

### **Profit for the period and development of the Company**

For the first half of 2016 Codan Forsikring realised a profit of DKK 893.9 million, which is significantly higher than the profit of DKK 130.3 million for the same period in 2015. The profit is achieved through a balance on the technical account exceeding that of last year, along with a positive effect from the declining interest rates on the investment result.

The profit for the period breaks down as follows (in DKK million):

|                                  | <b>H1 2016</b> | <b>H1 2015</b> | <b>2015</b>  |
|----------------------------------|----------------|----------------|--------------|
| Balance on the technical account | 611.9          | 476.1          | 1,212.3      |
| Investment result                | 531.1          | -293.1         | -641.3       |
| Other income/expenses            | -              | -              | -64.6        |
| Tax                              | -249.1         | -52.7          | -94.9        |
| <b>Profit for the period</b>     | <b>893.9</b>   | <b>130.3</b>   | <b>411.5</b> |

The balance on the technical account is DKK 611.9 million compared to DKK 476.1 million for the comparable last year period last year. The balance on the technical account comprises a lower result of the underlying current year business off-set by a run-off gain compared to the first half of 2015, which was affected by a large negative movement on one of our Swedish accident products, which has stabilised in 2016.

The investment return is positive with DKK 1,526.8 million against DKK -29.1 million last year. The investment result is positively impacted by the decreasing interest rates, which have resulted in large unrealised gains on the investment portfolio, including a capital gain of DKK 987.0 million against a capital loss of DKK 557.3 million for the first half of 2015.

Equity amounted to DKK 8,490.0 million compared with DKK 8,943.8 million at 30 June 2015 and DKK 9,354.0 million at 31 December 2015. The change in equity is primarily caused by the payment of dividend of DKK 1,600 million to the parent company and profit for the period.

### Management's review

#### *General insurance*

Codan Forsikring shows an increase of DKK 266.9 million in gross earned premium, from DKK 7,937.4 million for the first half of 2015 to DKK 8,204.3 million for the first half of 2016. The increase is primarily attributable to the Swedish business, which shows growth in both the private and the commercial business. In Denmark premiums show a slight decline, particularly in motor, liability and house and content in the commercial sector. In Norway premiums are affected by the loss of a large affinity deal.

The gross claims ratio for Codan Forsikring for the first half of 2016 is 66.3, which is an improvement of 4.5 compared to that of last year. 2015 was impacted by large run-off losses attributable to personal accident, primarily in Sweden, due to changed actuarial assumptions. The ratio covers an increase in large losses, which is off-set by a positive development in the underlying claims for all three countries.

The company has managed to keep expenses at the level of last year while increasing premiums and reducing claims. This leads to a gross expense ratio of 19.2 compared to 19.9 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 improved in 2016 and generated a loss of DKK 144.4 million against a loss of DKK 278.8 million last year. The results include the result of the quota sharing agreement with RSA Reinsurance Ireland Ltd. for the years 2011, 2012 and 2013.

The combined ratio for the company was 87.3 against 94.2 for the same period last year. The combined ratio reflects the declining claims ratio and the declining expenses along with the improvement in the result of re-insurance activities.

#### *Investments*

The Company's investments comprise investments in subsidiaries and investments in other financial assets. Other financial assets of DKK 35.6 billion include AAA-rated investments of DKK 27.6 billion.

The investment return amounted to DKK 1,526.8 million for the first half of 2016 against DKK -29.1 million for the comparable prior year period.

For the first half of 2016 the decreasing interest rates have affected the investments in bonds resulting in unrealised capital gains of DKK 987.0 million against a capital loss of DKK 557.3 million for the first half of 2015.

Total value adjustments are a gain of DKK 1,002.8 million compared to a loss of DKK 594.8 million for the first half of 2015.

Income from Group entities amounted to DKK 11.7 million in the first half of 2016 against DKK 33.9 million for the comparable prior year period. Income from Group entities is made up of a profit from Holmia Livsförsäkring AB of DKK 18.0 million, profit from Forsikringselskabet Privatsikring A/S of DKK 0 million and other DKK -6.3 million.

## **Management's review**

### **Risk management in Codan**

Reference is made to the section on risk management in the Management's review in the Annual Report for 2015. The description outlined still applies on 30 June 2016.

### **Risks and uncertainties**

Codan Forsikring A/S' results for the full year 2016 will continue to be sensitive to the development in the financial situation and economic factors. In addition, the results will primarily depend on the trend in weather-related claims and large claims as well as of changes in the level of Danish interest rates.

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 2016**

No events of material importance to the Company's financial position or business affairs have occurred subsequent to 30 June 2016.

**Statement by the Boards of Directors and Management**

The Board of Directors and the Board of Management have today considered and approved the Interim Report for Codan Forsikring A/S for the period 1 January - 30 June 2016.

The Interim Report 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 2016 and of its financial performance for the period 1 January to 30 June 2016. 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, 17 August 2016

**Board of Management**

Patrick Bergander  
*CEO*

Vivian Lund  
*Executive Officer*

**Board of Directors**

Lars Nørby Johansen  
*Chairman*

Anthony Piers Latham  
*Deputy Chairman*

Christer Bjellert

Scott Egan

Marianne Philip

Marie Elisabeth Sandblom

Christian Sletten

## Income statement

| Note                     | DKK million | H1<br>2016      | H1<br>2015      | 2015             |
|--------------------------|-------------|-----------------|-----------------|------------------|
| <b>General insurance</b> |             |                 |                 |                  |
|                          |             | 9,114.7         | 9,551.9         | 16,377.6         |
|                          |             | -493.8          | -473.1          | -520.4           |
|                          |             | -910.4          | -1,614.5        | -721.5           |
|                          |             | -371.4          | -17.6           | 267.7            |
|                          |             | 230.5           | 218.1           | 30.0             |
|                          |             | <b>7,569.6</b>  | <b>7,664.8</b>  | <b>15,433.4</b>  |
|                          |             | -5,559.5        | -5,683.2        | -11,367.9        |
|                          |             | 146.5           | 224.9           | 692.0            |
|                          |             | 143.0           | 106.7           | 261.6            |
|                          |             | -57.6           | 35.0            | 164.2            |
|                          |             | -53.9           | -256.3          | -732.6           |
|                          |             | <b>-5,381.5</b> | <b>-5,572.9</b> | <b>-10,982.7</b> |
|                          |             | <b>-33.3</b>    | <b>-55.9</b>    | <b>-87.3</b>     |
|                          |             | -1,034.1        | -1,054.9        | -2,086.5         |
|                          |             | -535.1          | -512.6          | -1,095.1         |
|                          |             | 26.3            | 7.6             | 30.5             |
|                          |             | <b>-1,542.9</b> | <b>-1,559.9</b> | <b>-3,151.1</b>  |
|                          |             | <b>611.9</b>    | <b>476.1</b>    | <b>1,212.3</b>   |
| <b>Investments</b>       |             |                 |                 |                  |
|                          |             | 11.7            | 33.9            | 114.9            |
|                          |             | -               | -               | 4.1              |
|                          |             | -2.0            | -0.4            | -1.2             |
| 3                        |             | 564.0           | 582.3           | 1,128.8          |
| 4                        |             | 1,002.8         | -594.8          | -1,194.8         |
|                          |             | -6.7            | -9.7            | -17.2            |
|                          |             | -43.0           | -40.4           | -86.0            |
|                          |             | <b>1,526.8</b>  | <b>-29.1</b>    | <b>-51.4</b>     |
|                          |             | -995.7          | -264.0          | -589.9           |
|                          |             | <b>531.1</b>    | <b>-293.1</b>   | <b>-641.3</b>    |
|                          |             | -               | -               | -64.6            |
|                          |             | <b>1,143.0</b>  | <b>183.0</b>    | <b>506.4</b>     |
|                          |             | -249.1          | -52.7           | -94.9            |
|                          |             | <b>893.9</b>    | <b>130.3</b>    | <b>411.5</b>     |

**Statement of comprehensive income**

| <b>Note</b>  | <b>DKK million</b> | <b>H1<br/>2016</b> | <b>H1<br/>2015</b> | <b>2015</b>  |
|--|--------------------|--------------------|--------------------|--------------|
| Currency translation adjustment, subsidiaries        |                    | -8.1               | 7.5                | 9.1          |
| Currency translation adjustment, foreign branches    |                    | -149.9             | 152.8              | 266.3        |
| Intra-group contribution                             |                    | -                  | -                  | 21.3         |
| Tax on intra-group contribution                      |                    | -                  | -                  | -5.8         |
| Actuarial gains/losses on pension obligations        |                    | -                  | -                  | -2.7         |
| Tax on actuarial gains/losses on pension obligations |                    | -                  | -                  | 0.7          |
| Other comprehensive income                           |                    | 0.1                | -0.5               | -1.3         |
| <b>Other comprehensive income</b>                    |                    | <b>-157.9</b>      | <b>159.8</b>       | <b>287.6</b> |
| Profit for the period                                |                    | 893.9              | 130.3              | 411.5        |
| <b>Total comprehensive income</b>                    |                    | <b>736.0</b>       | <b>290.1</b>       | <b>699.1</b> |

## Balance sheet

| Note          | DKK million  | 30 June<br>2016 | 30 June<br>2015 | 31 December<br>2015 |
|---------------|--|-----------------|-----------------|---------------------|
| <b>Assets</b> |  |                 |                 |                     |
|               | <b>Intangible assets</b>   | <b>1,199.7</b>  | <b>1,395.5</b>  | <b>1,244.6</b>      |
|               | Equipment  | 40.0            | 39.2            | 50.2                |
|               | Group occupied properties  | 12.6            | 13.0            | 13.0                |
|               | <b>Total property and equipment</b>                              | <b>52.6</b>     | <b>52.2</b>     | <b>63.2</b>         |
| 5             | Investments in Group entities                                    | 615.1           | 540.1           | 621.1               |
|               | Loans to Group entities  | 1,000.0         | 1,000.0         | 1,000.0             |
|               | Investments in associated companies                              | 18.4            | 14.7            | 19.0                |
|               | <b>Total investments in Group entities</b>                       | <b>1,633.5</b>  | <b>1,554.8</b>  | <b>1,640.1</b>      |
|               | Equity investments   | 1,440.5         | 1,343.8         | 1,382.1             |
|               | Units in open-ended funds  | 958.0           | 641.2           | 820.2               |
|               | Bonds  | 32,868.0        | 32,837.5        | 32,585.0            |
|               | Other loans  | 314.0           | 359.7           | 318.4               |
|               | Other  | 43.8            | -               | 11.5                |
|               | <b>Total other financial assets</b>                              | <b>35,624.3</b> | <b>35,182.2</b> | <b>35,117.2</b>     |
|               | Deposits with ceding undertakings                                | 4.8             | 6.8             | 4.5                 |
|               | <b>Total investments</b>   | <b>37,262.6</b> | <b>36,743.8</b> | <b>36,761.8</b>     |
|               | Reinsurers' share of provision for unearned premiums             | 388.7           | 364.0           | 170.1               |
|               | Reinsurers' share of provision for claims                        | 1,567.7         | 2,086.9         | 1,618.4             |
|               | <b>Total reinsurers' share of insurance contract provisions</b>  | <b>1,956.4</b>  | <b>2,450.9</b>  | <b>1,788.5</b>      |
|               | Receivables from policyholders                                   | 1,935.3         | 1,617.3         | 1,624.1             |
|               | Receivables from brokers   | 112.6           | 162.3           | 62.6                |
|               | <b>Total receivables arising from direct insurance contracts</b> | <b>2,047.9</b>  | <b>1,779.6</b>  | <b>1,686.7</b>      |
|               | Receivables from insurance companies                             | 125.2           | 173.2           | 202.1               |
|               | Receivables from Group entities                                  | 95.1            | 235.1           | 355.8               |
|               | Other receivables  | 192.0           | 248.7           | 199.2               |
|               | <b>Total receivables</b>   | <b>4,416.6</b>  | <b>4,887.5</b>  | <b>4,232.3</b>      |
|               | Assets held for sale   | 2.6             | 3.1             | 2.7                 |
|               | Current tax assets   | 262.2           | 106.2           | 252.5               |
|               | Deferred tax assets  | 400.5           | 242.1           | 353.6               |
|               | Cash and cash equivalents  | 520.4           | 1,274.7         | 717.8               |
|               | <b>Total other assets</b>  | <b>1,185.7</b>  | <b>1,626.1</b>  | <b>1,326.6</b>      |
| 6             | Accrued interest and rent  | 446.6           | 476.0           | 398.4               |
|               | Other prepayments  | 105.5           | 110.0           | 98.9                |
|               | <b>Total prepayments and accrued income</b>                      | <b>552.1</b>    | <b>586.0</b>    | <b>497.3</b>        |
|               | <b>Total assets</b>  | <b>44,669.3</b> | <b>45,291.1</b> | <b>44,125.8</b>     |

## Balance sheet

| Note   | DKK million | 30 June<br>2016 | 30 June<br>2015 | 31 December<br>2015 |
|--|-------------|-----------------|-----------------|---------------------|
| <b>Equity and liabilities</b>                              |             |                 |                 |                     |
| <b>Share capital</b>                                       |             | 15.0            | 15.0            | 15.0                |
| Contingency funds  |             | 5,593.3         | 5,700.8         | 5,714.6             |
| Reserve for net revaluation according to the equity method |             | 351.9           | -               | -                   |
| Translation reserve  |             | 205.3           | 140.9           | 242.0               |
| Equalisation reserve                                       |             | -               | 55.2            | 59.2                |
| <b>Total reserves</b>                                      |             | 6,150.5         | 5,896.9         | 6,015.8             |
| <b>Retained earnings</b>                                   |             | 2,324.5         | 3,031.9         | 3,323.2             |
| <b>Proposed dividend</b>                                   |             | -               | -               | -                   |
| <b>7 Total equity</b>                                      |             | <b>8,490.0</b>  | <b>8,943.8</b>  | <b>9,354.0</b>      |
| Provision for unearned premiums                            |             | 3,531.7         | 3,605.3         | 2,976.9             |
| Profit margin on general insurance contracts               |             | 1,441.1         | 1,405.9         | 1,032.5             |
| Provision for outstanding claims                           |             | 26,627.1        | 26,039.6        | 26,182.6            |
| Risk margin on general insurance contracts                 |             | 1,976.5         | 2,058.7         | 2,010.5             |
| Provision for bonuses and rebates                          |             | 29.5            | 36.2            | 36.7                |
| <b>Total insurance contract provisions</b>                 |             | <b>33,605.9</b> | <b>33,145.7</b> | <b>32,239.2</b>     |
| Pension and other similar obligations                      |             | 46.2            | 66.6            | 58.7                |
| Other provisions   |             | 198.4           | 225.9           | 234.1               |
| <b>Total provisions</b>                                    |             | <b>244.6</b>    | <b>292.5</b>    | <b>292.8</b>        |
| <b>Deposits received from reinsurers</b>                   |             | <b>293.7</b>    | <b>564.2</b>    | <b>311.5</b>        |
| Payables arising from direct insurance contracts           |             | 100.4           | 92.1            | 66.2                |
| Payables arising from reinsurance contracts                |             | 221.0           | 213.7           | 115.1               |
| Amounts owed to Group entities                             |             | 84.4            | 74.3            | 26.0                |
| Other payables   |             | 1,444.2         | 1,730.6         | 1,493.3             |
| <b>Total payables</b>                                      |             | <b>1,850.0</b>  | <b>2,110.7</b>  | <b>1,700.6</b>      |
| <b>Deferred income</b>                                     |             | <b>185.1</b>    | <b>234.2</b>    | <b>227.7</b>        |
| <b>Total equity and liabilities</b>                        |             | <b>44,669.3</b> | <b>45,291.1</b> | <b>44,125.8</b>     |

**Notes without reference**

- 1 Accounting policies
- 2 Key figures and financial ratios

## Statement of changes in equity

| DKK million  | Share capital | Revaluation reserves | Other reserves | Proposed dividend | Retained earnings | Total equity    |
|--|---------------|----------------------|----------------|-------------------|-------------------|-----------------|
| <b>2015</b>  |               |                      |                |                   |                   |                 |
| <b>Equity, beginning of the year</b>                   | <b>15.0</b>   | -                    | <b>5,718.1</b> | <b>2,900.0</b>    | <b>4,054.8</b>    | <b>12,687.9</b> |
| Change in accounting policy                            | -             | -                    | 22.5           | -                 | -1,156.7          | -1,134.2        |
| Restated equity, beginning of year                     | 15.0          | -                    | 5,740.6        | 2,900.0           | 2,898.1           | 11,553.7        |
| <b>Changes in equity for 2015:</b>                     |               |                      |                |                   |                   |                 |
| Currency translation adjustment, foreign subsidiaries  | -             | 0.2                  | 8.9            | -                 | -                 | 9.1             |
| Currency translation adjustment, foreign branches      | -             | -                    | 266.3          | -                 | -                 | 266.3           |
| Intra-group contribution                               | -             | -                    | -              | -                 | 21.3              | 21.3            |
| Tax on intra-group contribution                        | -             | -                    | -              | -                 | -5.8              | -5.8            |
| Actuarial gains/losses on pension obligations          | -             | -                    | -              | -                 | -2.7              | -2.7            |
| Tax on actuarial gains/losses                          | -             | -                    | -              | -                 | 0.7               | 0.7             |
| Other comprehensive income                             | -             | -                    | -              | -                 | -1.3              | -1.3            |
| Profit for the year                                    | -             | 114.9                | -              | -                 | 296.6             | 411.5           |
| Total comprehensive income for the year                | -             | 115.1                | 275.2          | -                 | 308.8             | 699.1           |
| Received dividend, subsidiaries                        | -             | -139.8               | -              | -                 | 139.8             | -               |
| Release of negative revaluation reserve, equity method | -             | 23.5                 | -              | -                 | -23.5             | -               |
| Dividend paid  | -             | -                    | -              | -2,900.0          | -                 | -2,900.0        |
| <b>Changes in equity for the year</b>                  | <b>-</b>      | <b>-</b>             | <b>275.2</b>   | <b>-2,900.0</b>   | <b>425.1</b>      | <b>-2,199.7</b> |
| <b>Equity, end of the year</b>                         | <b>15.0</b>   | <b>-</b>             | <b>6,015.8</b> | <b>-</b>          | <b>3,323.2</b>    | <b>9,354.0</b>  |
| <b>H1 2015</b>   |               |                      |                |                   |                   |                 |
| <b>Equity, beginning of the year</b>                   | <b>15.0</b>   | -                    | <b>5,718.1</b> | <b>2,900.0</b>    | <b>4,054.8</b>    | <b>12,687.9</b> |
| Change in accounting policy                            | -             | -                    | 22.5           | -                 | -1,156.7          | -1,134.2        |
| Restated equity, beginning of year                     | 15.0          | -                    | 5,740.6        | 2,900.0           | 2,898.1           | 11,553.7        |
| <b>Changes in equity for the period:</b>               |               |                      |                |                   |                   |                 |
| Currency translation adjustment, foreign subsidiaries  | -             | -                    | 7.5            | -                 | -                 | 7.5             |
| Currency translation adjustment, branches              | -             | -                    | 152.8          | -                 | -                 | 152.8           |
| Other comprehensive income                             | -             | -                    | -              | -                 | -0.5              | -0.5            |
| Profit for the period                                  | -             | 33.9                 | -              | -                 | 96.4              | 130.3           |
| Total comprehensive income for the period              | -             | 33.9                 | 160.3          | -                 | 95.9              | 290.1           |
| Received dividend, subsidiaries                        | -             | -139.9               | -              | -                 | 139.9             | -               |
| Equalisation reserve (credit and guarantee)            | -             | -                    | -4.0           | -                 | 4.0               | -               |
| Release of negative revaluation reserve, equity method | -             | 106.0                | -              | -                 | -106.0            | -               |
| Dividend paid  | -             | -                    | -              | -2,900.0          | -                 | -2,900.0        |
| <b>Changes in equity for the period</b>                | <b>-</b>      | <b>-</b>             | <b>156.3</b>   | <b>-2,900.0</b>   | <b>133.8</b>      | <b>-2,609.9</b> |
| <b>Equity, end of the period</b>                       | <b>15.0</b>   | <b>-</b>             | <b>5,896.9</b> | <b>-</b>          | <b>3,031.9</b>    | <b>8,943.8</b>  |

## Statement of changes in equity

| DKK million   | Share capital | Revaluation reserves | Other reserves | Proposed dividend | Retained earnings | Total equity    |
|---|---------------|----------------------|----------------|-------------------|-------------------|-----------------|
| <b>H1 2016</b>  |               |                      |                |                   |                   |                 |
| <b>Equity, beginning of the year</b>                  | <b>15.0</b>   | -                    | <b>6,015.8</b> | -                 | <b>3,323.2</b>    | <b>9,354.0</b>  |
| Currency translation adjustment, foreign subsidiaries | -             | -                    | -8.1           | -                 | -                 | <b>-8.1</b>     |
| Currency translation adjustment, branches             | -             | -                    | -149.9         | -                 | -                 | <b>-149.9</b>   |
| Dividends received from subsidiaries                  | -             | -9.8                 | -              | -                 | 9.8               | -               |
| Equalisation reserve (credit and guarantee)           | -             | -                    | -59.2          | -                 | 59.2              | -               |
| Revaluation reserves according to the equity method   | -             | 350.0                | -              | -                 | -350.0            | -               |
| Other comprehensive income                            | -             | -                    | -              | -                 | 0.1               | <b>0.1</b>      |
| <b>Profit for the period</b>                          | -             | <b>340.2</b>         | <b>-217.2</b>  | -                 | <b>-280.9</b>     | <b>-157.9</b>   |
| <b>Total comprehensive income for the period</b>      | -             | <b>351.9</b>         | <b>-217.2</b>  | -                 | <b>601.3</b>      | <b>736.0</b>    |
| Declared interim dividend                             | -             | -                    | -              | 1,600.0           | -1,600.0          | -               |
| Dividend paid   | -             | -                    | -              | -1,600.0          | -                 | <b>-1,600.0</b> |
| <b>Changes in equity for the period</b>               | -             | <b>351.9</b>         | <b>-217.2</b>  | -                 | <b>-998.7</b>     | <b>-864.0</b>   |
| <b>Equity, end of the period</b>                      | <b>15.0</b>   | <b>351.9</b>         | <b>5,798.6</b> | -                 | <b>2,324.5</b>    | <b>8,490.0</b>  |

## Notes to the financial statements

### Note

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#### 1 Accounting policies

The interim Report for 2016 for Codan Forsikring 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 Forsikring 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 Forsikring A/S Group.

#### *Changes to accounting policies*

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

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

#### *Risk margin on insurance contracts*

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

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

#### *Profit margin on insurance contracts*

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

Profit margin on insurance contracts is measured as the difference between premiums related to bound but not yet incepted insurance contracts and incepted insurance contracts with remaining risk period and the expected claims payments included in the unearned premium reserve. In case the future claims payments for a line of business with homogenous risks are expected to exceed the future premiums, no profit margin will be recognised for this line of business.

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

#### *Provision for unearned premium*

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

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

## Notes to the financial statements

## Note

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

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

The new rules have had a negative impact of DKK 1,265 million on Codan Forsikring’s equity as of 1 January 2016. Comparison figures have been adjusted in accordance with the accounting policies.

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

| DKK million  | H1<br>2016 | H1<br>2015 | 2015      |
|--|------------|------------|-----------|
| <b>2 Key figures and financial ratios*</b>   |            |            |           |
| Gross earned premiums  | 8,204.3    | 7,937.4    | 15,656.1  |
| Change in profit margin and risk margin  | -371.4     | -17.6      | 267.7     |
| Gross claims incurred  | -5,416.5   | -5,576.5   | -11,106.3 |
| Change in risk margin  | -57.6      | 35.0       | 164.2     |
| Total operating expenses   | -1,569.2   | -1,567.5   | -3,181.6  |
| Profit/loss from reinsurance   | -144.4     | -278.8     | -500.5    |
| Balance on the technical account   | 611.9      | 476.1      | 1,212.3   |
| Total investment return after return on and value adjustment on technical provisions | 531.1      | -293.1     | -641.3    |
| Profit for the period  | 893.9      | 130.3      | 411.5     |
| Total technical provisions   | 33,605.9   | 33,145.7   | 32,239.2  |
| Total insurance assets   | 1,956.4    | 2,450.9    | 1,788.5   |
| Total equity   | 8,490.0    | 8,943.8    | 9,354.0   |
| Total assets   | 44,669.3   | 45,291.1   | 44,125.8  |
| <b>Financial ratios</b>  |            |            |           |
| Gross claims ratio   | 66.3       | 70.8       | 71.3      |
| Gross expense ratio  | 19.2       | 19.9       | 20.4      |
| Combined ratio   | 87.3       | 94.2       | 95.0      |
| Operating ratio  | 87.3       | 94.2       | 95.0      |
| Return on equity in %  | 17.2       | 2.7        | 4.5       |
| Solvency ratio - Solvency II   | 187        | 201        | 212       |
| Solvency ratio - Individual Solvency Requirement                                     | -          | 187        | 194       |

\* The key figures and financial ratios have been calculated in accordance with the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds).

## Notes to the financial statements

| Note   | DKK million | H1<br>2016     | H1<br>2015    | 2015            |
|--|-------------|----------------|---------------|-----------------|
| <b>3 Interest income and dividends, etc.</b>                       |             |                |               |                 |
| Interest income from Group entities                                |             | 7.4            | 13.4          | 22.2            |
| Interest income from bonds, loans and deposits                     |             | 499.1          | 514.4         | 1,012.0         |
| Non-taxable interest income  |             | -              | -             | 0.3             |
| Income from units in open-ended funds and other equity investments |             | 51.9           | 45.0          | 80.3            |
| Other interest income  |             | 5.6            | 9.5           | 14.0            |
| <b>Interest income and dividends, etc.</b>                         |             | <b>564.0</b>   | <b>582.3</b>  | <b>1,128.8</b>  |
| <b>4 Value adjustments</b>   |             |                |               |                 |
| Group occupied properties  |             | -              | 0.2           | -0.6            |
| Investments:   |             |                |               |                 |
| Equity investments   |             | 71.5           | 19.9          | 47.7            |
| Units in open-ended funds  |             | 10.4           | -2.1          | -3.9            |
| Bonds  |             | 879.8          | -599.9        | -1,156.8        |
| Other loans  |             | -4.4           | 15.9          | -78.0           |
| Derivatives  |             | 50.0           | -7.5          | 3.9             |
| <b>Total investments</b>   |             | <b>1,007.3</b> | <b>-573.5</b> | <b>-1,187.7</b> |
| Other value adjustments  |             | -4.5           | -21.3         | -7.1            |
| <b>Value adjustments</b>   |             | <b>1,002.8</b> | <b>-594.8</b> | <b>-1,194.8</b> |
| Realised gains and losses on investments                           |             | 20.3           | -16.2         | -82.6           |
| Unrealised gains and losses on investments                         |             | 987.0          | -557.3        | -1,105.1        |
| Other realised gains and losses                                    |             | -0.1           | 13.3          | 12.5            |
| Other unrealised gains and   |             | -4.4           | -34.6         | -19.6           |
| <b>Value adjustments</b>   |             | <b>1,002.8</b> | <b>-594.8</b> | <b>-1,194.8</b> |

## Notes to the financial statements

| Note  | DKK million | 30 June<br>2016 | 30 June<br>2015 | 31 December<br>2015 |
|---|-------------|-----------------|-----------------|---------------------|
| <b>5 Investments in Group entities</b>                                    |             |                 |                 |                     |
| Cost, beginning of the period   |             | 1,563.2         | 1,563.2         | 1,563.2             |
| Disposals, during the period  |             | -1,292.5        | -               | -                   |
| Cost, end of the period   |             | 270.7           | 1,563.2         | 1,563.2             |
| Adjustments, beginning of the period                                      |             | -942.1          | -926.3          | -926.3              |
| Exchange gains and losses   |             | -8.1            | 8.9             | 8.9                 |
| Intercompany Acq/disp of Subsidiaries Value Adjustment                    |             | 1,292.7         | -               | -                   |
| Currency translation adjustment, subsidiaries                             |             | -               | -               | 0.2                 |
| Profit for the period from Group entities                                 |             | 11.7            | 33.9            | 114.9               |
| Paid dividends, capital reduction, etc.                                   |             | -9.8            | -139.6          | -139.8              |
| Adjustments, end of the period  |             | 344.4           | -1,023.1        | -942.1              |
| <b>Carrying amount, end of the period</b>                                 |             | <b>615.1</b>    | <b>540.1</b>    | <b>621.1</b>        |
| The value of investments in Group entities can be broken down as follows: |             |                 |                 |                     |
| Besigtelses Kontoret af 1914 A/S  |             | 9.8             | 20.0            | 15.9                |
| NIS 2 A/S   |             | -               | 9.9             | 9.9                 |
| Holmia Livförsäkring AB   |             | 288.7           | 236.1           | 278.7               |
| Forsikringsselskabet Privatsikring A/S                                    |             | 316.6           | 274.1           | 316.6               |
|   |             | <b>615.1</b>    | <b>540.1</b>    | <b>621.1</b>        |

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

All subsidiaries are separate entities.

Additional information on investments in Group entities:

|   | Ownership<br>interest<br>% | Results<br>H1<br>DKK million | Equity<br>30 June<br>DKK million |
|---|----------------------------|------------------------------|----------------------------------|
| Companies carrying on insurance business:             |                            |                              |                                  |
| Holmia Livförsäkring AB, Stockholm                    | 100                        | 18.0                         | 288.7                            |
| Forsikringsselskabet Privatsikring A/S, Frederiksberg | 100                        | -                            | 316.6                            |
| Companies providing insurance-related services:       |                            |                              |                                  |
| Besigtelses Kontoret af 1914 A/S, Frederiksberg       | 100                        | -6.2                         | 9.8                              |
| Investment companies:                                 |                            |                              |                                  |
| NIS 2 A/S   | -                          | -0.1                         | -                                |

Results and equity in Group entities as stated above have been prepared in accordance with the accounting policies of Codan Forsikring A/S. NIS 2 A/S was dissolved during H1.

## Notes to the financial statements

| Note   | DKK million | 30 June<br>2016 | 30 June<br>2015 | 31 December<br>2015 |
|--|-------------|-----------------|-----------------|---------------------|
| <b>6 Accrued interest and rent</b>   |             |                 |                 |                     |
| Accrued interest from Group entities   |             | 7.4             | 8.9             | -                   |
| Accrued interest from investments  |             | 439.2           | 467.1           | 398.4               |
|  |             | <b>446.6</b>    | <b>476.0</b>    | <b>398.4</b>        |
| <b>7 Total equity</b>  |             |                 |                 |                     |
| Capital requirement and capital base:  |             |                 |                 |                     |
| Solvency Capital Requirement   |             | <b>4,476.1</b>  | <b>4,304.7</b>  | <b>4,318.6</b>      |
| Capital base to cover Solvency Capital Requirement                           |             | <b>8,377.1</b>  | <b>8,665.3</b>  | <b>9,149.4</b>      |
| Capital base to cover Solvency Capital Requirement is calculated as follows: |             |                 |                 |                     |
| Equity   |             | 8,490.0         | 8,943.8         | 9,354.0             |
| Value of intangible assets   |             | -1,199.7        | -1,395.5        | -1,244.6            |
| Value of equipment   |             | -40.0           | -39.2           | -50.2               |
| Adjustment regarding subsidiaries  |             | 64.1            | 71.8            | 71.4                |
| Profit margin on general insurance contracts                                 |             | 1,441.1         | 1,405.9         | 1,032.5             |
| Reinsurers' share of profit margin on general insurance contracts            |             | -256.4          | -229.9          | 72.6                |
| Deferred tax effect  |             | -16.5           | 18.4            | 12.6                |
| Prepayments  |             | -105.5          | -110.0          | -98.9               |
| Capital base to cover the Solvency Capital Requirement                       |             | <b>8,377.1</b>  | <b>8,665.3</b>  | <b>9,149.4</b>      |