
MAJ INVEST HOLDING A/S

ANNUAL REPORT 2017



CONTENTS

MANAGEMENT'S REVIEW

COMPANY INFORMATION	4
FINANCIAL HIGHLIGHTS - GROUP	5
HIGHLIGHTS AND MAJOR EVENTS	6
DEVELOPMENT IN BUSINESS AREAS	9
MANAGEMENT AND OWNERSHIP	17
FINANCIAL REVIEW	19
THE FINANCIAL MARKETS	23
EXECUTIVE FUNCTIONS AND DIRECTORSHIPS	25

FINANCIAL STATEMENTS

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME	29
BALANCE SHEET	30
STATEMENT OF CAPITAL - GROUP	32
STATEMENT OF CAPITAL - PARENT	34
NOTES	37

STATEMENTS

STATEMENT BY MANAGEMENT	58
INDEPENDENT AUDITOR'S REPORT	59

MANAGEMENT'S REVIEW

COMPANY INFORMATION

MAJ INVEST HOLDING A/S

Gammeltorv 18
DK-1457 Copenhagen K

Phone +45 33 38 73 00
Telefax +45 33 38 73 10

CVR no. 28 29 54 80
Registered office in: Copenhagen
www.majinvest.com

AUDITORS

Ernst & Young P/S
Osvold Helmuhs Vej 4
DK-2000 Frederiksberg

BOARD OF DIRECTORS

Tommy Pedersen, chairman
Henrik Andersen
Nils Bernstein
Ruth Schade
Tomas Munksgard Hoff (elected by staff)
Søren Krag Jacobsen (elected by staff)
Anders Møller Olesen (elected by staff)

EXECUTIVE BOARD

Jeppe Christiansen
Erik Holm
Henrik Parkhøi



Maj Invest's Executive Board & Chairman of the Board - Erik Holm, Managing Director; Jeppe Christiansen, CEO; Henrik Parkhøi, Managing Director; Tommy Pedersen, Chairman of the Board.

FINANCIAL HIGHLIGHTS - GROUP

INCOME STATEMENT (PRINCIPAL ITEMS)

DKK thousand	2017	2016	2015	2014	2013
Total gross income	467,530	449,193	326,059	311,334	347,061
- Net interest and fee income	406,316	423,517	292,506	291,956	327,014
- Market value and currency translation adjustments	45,456	14,509	21,645	8,883	6,380
- Other operating income	15,757	11,167	11,908	10,495	13,667
Staff costs and administrative expenses	(208,994)	(208,492)	(211,862)	(175,615)	(158,004)
Net profit for the year	190,924	180,004	81,832	100,374	139,699

BALANCE SHEET

Shareholders' equity	424,201	515,746	358,411	507,191	450,014
Total assets	691,600	798,370	593,751	659,524	605,471

RATIOS AND KEY FIGURES

Return on equity before tax	52.2%	53.4%	24.8%	27.9%	52.2%
Return on equity after tax	40.6%	41.2%	18.9%	21.0%	39.3%
Cost/income ratio	2.13	2.08	1.49	1.75	2.15
Cost in per cent of income	46.9%	48.0%	67.0%	57.2%	46.5%
Tier 1 capital ratio	31.1%	28.8%	36.1%	43.8%	48.7%
Capital ratio	31.1%	28.8%	36.1%	43.8%	48.7%
Own funds in relation to minimum capital requirements	3.9	3.6	4.5	5.5	6.1

Ratios and key figures were drawn up in accordance with the definitions of the Danish Financial Supervisory Authority (FSA).

HIGHLIGHTS AND MAJOR EVENTS

FINANCIAL YEAR 2017

Prior years' increase in the number of new Danish and international clients continued in 2017. The financial results are even better than last year's record and are the best to date in the group's history. The financial results are highly satisfactory and significantly better than anticipated. The highlights are as follows:

- Net profit for the year after tax amounted to DKK 190.9 million against DKK 180.0 million in 2016.
- The return on equity after tax was 40.6 per cent. At year-end 2017 shareholders' equity totalled DKK 424.2 million.
- The group's own funds totalled DKK 329.5 million at year-end. Our capital ratio rose to 31.1 per cent and by far exceeds the statutory requirement.
- Maj Invest Asset Management once again saw an increase in the number of clients. Assets under management rose by DKK 7 billion and totalled DKK 65 billion at year-end 2017.
- Investeringsforeningen Maj Invest (mutual fund) continued its growth with an increase in assets of 18 per cent.
- Maj Invest Equity 4 K/S, to which Maj Invest Equity provides advisory services, showed strong performance in 2017, especially driven by a very successful sale of the design company Muuto.
- Maj Invest Equity completed the final closing of Maj Invest Equity 5 K/S with total commitments of DKK 2.1 billion and provided advisory services in respect of four completed investments in Maj Invest Equity 5 K/S.
- Maj Invest Financial Inclusion Fund II K/S, which Maj Invest Equity International provides advisory services to, saw a great interest from investors. Total commitments increased by USD 62 million to USD 137 million.
- Maj Invest Equity International enjoyed a high level of activity and provided advisory services in respect of the sale of a company in Vietnam and three investments in Vietnam, Indonesia and India, respectively.
- Maj Bank, which is still in a build-up phase, saw a satisfactory development in assets and a financial result in line with expectations.



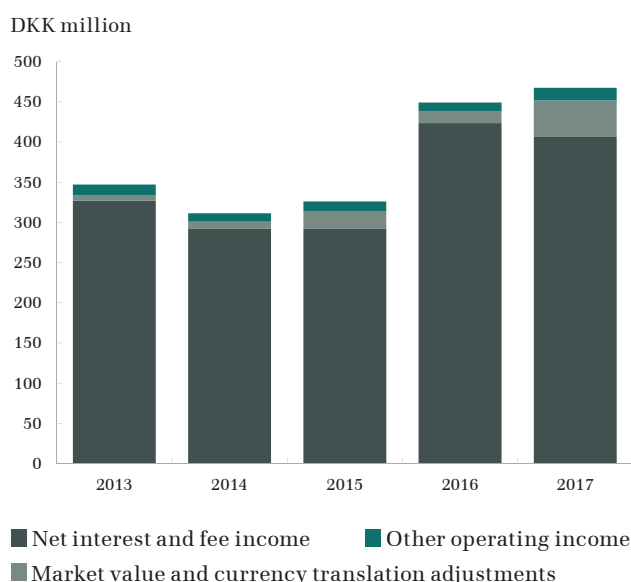
CORPORATE DEVELOPMENT SINCE OUR START IN 2005

Since its inception in May 2005, our group has developed favourably in terms of business volume and number of clients. To date we have had two main business activities, Asset Management and Private Equity, both primarily serving institutional investors and large clients in Denmark and internationally.

By setting up Maj Bank at the end of 2015, it enabled us to serve private clients with savings and investment activities in Denmark. We aim to develop these activities into a new business area complementing our Maj Invest Asset Management activities.

The Maj Invest group is represented in six countries and headquartered in Copenhagen.

DEVELOPMENT IN GROSS REVENUE



MILESTONES

2005

Permit from the Danish FSA. Fondsmæglerselskabet Maj Invest A/S established. Private equity fund LD Equity 2 and Investeringsforeningen Maj Invest (mutual fund) established.

2010

Private equity fund Danish Microfinance Partners established.

2014

Company in Singapore and representative offices in London and Jakarta established. Maj Invest South America, Peru established.

2006

Private equity fund LD Equity 1 and Markets established

2011

Private equity fund Maj Invest Equity 4 established.

2015

Maj Bank established. Private equity funds Maj Invest Equity Southeast Asia II and Maj Invest Financial Inclusion Fund II established.

2007

Activities taken over from Dansk Erhvervsinvestering, and private equity fund LD Equity 3 established.



2008

Investeringsforeningen Maj Invest (mutual fund) receives first Morningstar® rating.

2012

Private equity fund EFIF established.

2016

Private equity fund Maj Invest Equity 5 established.

2009

Wealth Management and private equity fund Maj Invest Equity Vietnam I established.

2013

The mutual fund Maj Invest Funds (Luxembourg) established.

2017

Registration in the US (SEC) and with the authorities in Canada.



MAJ INVEST

BUTIK

DEVELOPMENT IN BUSINESS AREAS

INVESTMENT PHILOSOPHY

We focus on long-term value creation for our clients since short-term developments are driven by unpredictable factors.

The group has two principal business areas: Maj Invest Asset Management and Maj Invest Equity. Together with Maj Bank, these two principal business areas offer a number of long-term investment products.

- Maj Invest Asset Management provides advisory services on asset allocation and asset management (listed securities). Our clients are Danish and international institutional investors, Investeringsforeningen Maj Invest (mutual fund) in Denmark, and the mutual fund Maj Invest Funds in Luxembourg.
- Maj Invest Formueforvaltning (wealth management) delivers advisory services on wealth management to high-net-worth clients, companies and funds.
- Maj Invest Investor Relations & Markets is responsible for trading and execution services and supplies distributors with information on the Danish mutual fund Investeringsforeningen Maj Invest as well as Maj Invest Funds, which is a mutual fund based in Luxembourg. The department offers services to clients in Denmark and abroad within the core business area Maj Invest Asset Management.
- Maj Invest Equity provides investment advisory services to private equity funds investing in unlisted equities in Denmark and abroad. In Denmark we extend our services to five funds and provide discretionary investment advisory services in respect of portfolios of unlisted equities.
- Maj Invest Equity International provides investment advisory services to four funds with international activities. Two of the funds focus on private equity investments in Vietnam and Southeast Asia, and the other two focus on investments in the top segment of financial institutions, including specialised banks, in Latin America, Asia and Africa.
- Maj Bank provides investment advisory services on savings and investments to private clients. Maj Bank's advisory services are based on knowledge rather than news and focus on long-term economic relationships and broad financial and economic knowledge.

GROSS REVENUE

DKK million



Furthermore, we provide administrative and reporting services to companies with activities related to the group's business activities.

Total assets under management, incl. assets in custody accounts in Maj Bank A/S, rose by 11 per cent in the period under review, at year-end amounting to approximately DKK 72 billion. In 2017 the group employed an average of 107 employees.

MAJ INVEST ASSET MANAGEMENT

Maj Invest Asset Management provides financial services including advice on portfolio and investment decisions and asset management of listed products extended to large professional clients and institutional investors.

Our advice is built on a long-term strategy based on analysis of structural conditions and scenarios in global financial markets. The key concepts of our strategy are risk diversification and risk analysis, as expressed in our research of trends and themes in the financial markets.

In 2016 Maj Invest Asset Management saw a greater interest from international investors in the value equity products. This continued in 2017 where more mandates with international investors were entered into. In 2017 Fondsmæglerselskabet Maj Invest A/S was registered with both the United States Securities and Exchange Commission ("SEC") and the authorities in Canada with a view to servicing Maj Invest Asset Management's clients in the two countries.

Assets under management for international clients rose by 77 per cent in 2017, and in 2018 we have seen continued growth in these assets as well as in the number of international clients.

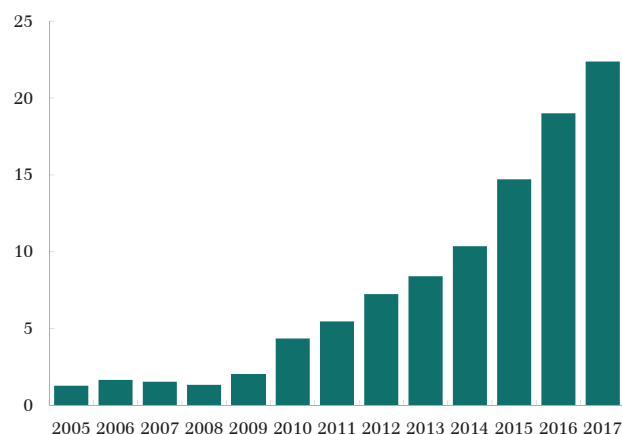
As far as Danish clients are concerned, Maj Invest Asset Management experienced growth in assets under management. Maj Invest Asset Management's total assets under management rose by DKK 7 billion in 2017, constituting DKK 65 billion at year-end 2017. The change in assets under management reflects a drop in bonds and an increase in equities.

INVESTERINGSFORENINGEN MAJ INVEST (MUTUAL FUND)

Maj Invest Asset Management acts as investment advisor to Investeringsforeningen Maj Invest, one of Denmark's

TREND IN MUTUAL FUND ASSETS SINCE START

DKK billion



INVESTERINGSFORENINGEN MAJ INVEST - RETURNS IN PER CENT

	Start date	Performance			PERFORMANCE COMPARED TO MORNINGSTAR KATEGORI™			
		Returns 2017	Returns since start	compared to index	1 year	3 years	5 years	10 years
Danske Aktier	16 Dec. 2005	18.6	258.5	+31.0	+5.5	+0.5	-9.5	+4.0
Danske Aktier W	16 Dec. 2005	18.9	259.2	+31.7	+5.7	+0.8	-9.1	+4.5
Vækstaktier ¹⁾	16 Dec. 2005	13.3	130.8	+18.8	+5.0	+8.9	+6.7	+48.1
Vækstaktier W	16 Dec. 2005	13.6	131.3	+19.3	+5.3	+9.2	+7.1	+48.6
Value Aktier	16 Dec. 2005	5.4	188.9	+76.8	-2.8	+13.3	+39.7	+108.7
Value Aktier W	16 Dec. 2005	5.8	189.8	+77.7	-2.5	+13.8	+40.4	+109.5
Value Aktier Akk. ²⁾	29 Jun. 2015	5.3	16.7	-1.6	-3.0	+12.8	+38.9	+107.6
Value Aktier Akk. W	29 Jun. 2015	5.7	17.1	-1.2	-2.6	+13.3	+39.6	+108.5
Emerging Markets	16 Dec. 2013	18.6	27.1	-19.9	-0.5	-13.3	-	-
Emerging Markets W	16 Dec. 2013	19.0	27.6	-19.4	-0.1	-12.9	-	-
Global Sundhed ^{3,4)}	01 Mar. 2013	11.4	86.5	+7.3	-	-	-	-
Global Sundhed W	01 Mar. 2013	11.7	87.1	+7.9	-	-	-	-
Danske Obligationer	16 Dec. 2005	2.7	63.7	+13.8	+0.9	+3.1	+5.8	+11.4
Globale Obligationer	16 Dec. 2005	0.4	66.5	+16.5	+0.8	+5.1	+7.5	+30.4
High Income Obl.	30 Oct. 2015	0.3	7.1	-4.3	+5.2	-	-	-
Pension ⁵⁾	16 Dec. 2005	2.8	93.2	-	-1.7	+9.1	+15.1	+63.8
Kontra ^{4,5)}	11 Jun. 2006	-4.8	70.0	-	-	-	-	-
Kontra W	11 Jun. 2006	-4.5	70.5	-	-	-	-	-
Makro ⁵⁾	22 Mar. 2013	9.0	48.0	-	+4.3	+18.8	-	-

Notes:

- 1) In June 2017 the fund changed its name from Globale Aktier and adjusted its investment area.
- 2) As far as performance compared to Morningstar Kategori™ is concerned, extended performance for Maj Invest Value Aktier Akkumulerende has been included so the performance for this fund dates back to the launch of Maj Invest Value Aktier.
- 3) At the end of February 2013 the fund changed both its name and investment area.
- 4) The funds have no Morningstar Kategori™.
- 5) The funds have no comparable index.

MORNINGSTAR FUND AWARD FOR MAJ INVEST VALUE AKTIER (GLOBAL VALUE EQUITIES)

In March 2017 Maj Invest Value Aktier received its second Morningstar Fund Award. Morningstar honoured the fund with the award for best management of global equities in Denmark based on the past five years' results, with special emphasis on 2016. As its reason for granting the Morningstar Fund Award, Morningstar stated that the fund during the past ten years has generated returns in the absolute top among the 1,300 European global equity funds. Maj Invest Value Aktier received the same recognition in 2015, and through a period of years the fund has received five stars by Morningstar. For five consecutive years, one of Maj Invest's funds has received a Morningstar Fund Award.

largest independent mutual funds. Investeringsforeningen Maj Invest consists of 12 funds and has been offered to both private and professional investors for 12 years.

In 2017 the mutual fund strengthened its position as an independent alternative to the banking sector's mutual funds by achieving solid investment results. This together with net new sales increased the fund's assets by DKK 3.4 billion to DKK 22.4 billion.

With assets under management growing by 18 per cent, Investeringsforeningen Maj Invest also gained market share in 2017 as the total assets under management of the Danish retail market grew by 11 per cent, and the total market consisting of both the retail market and institutional investors increased by 7 per cent.

From the perspective of the funds' Morningstar Kategori™, the six original funds and their share classes have outperformed their benchmarks since the launch of Investeringsforeningen Maj Invest at year-end 2005.

The outperformance ranges between 14 percentage points in the fixed-income fund Maj Invest Danske Obligationer and 111 percentage points in the equity fund Maj Invest Value Aktier. Over a 5-year period, five of the six funds have outperformed their benchmarks.

Morningstar® is an international investment research firm assessing returns and risks in comparable mutual funds in Europe, Africa and Asia. All funds are divided into categories.

Nine of the funds date back three years or more in their respective category of investment, and the funds and their share classes are therefore rated by Morningstar. The funds with the highest risk-weighted returns and lowest costs are awarded the highest rating and thus more stars. Five stars mean that the fund in question ranks among the top 10 per cent in Europe in its category. Five funds achieved the highest rating at year-end 2017; the remaining four had 4, 4, 3 and 1 star(s), respectively.

INTERNATIONAL CLASS

The global equity fund Maj Invest Value Aktier is number two among 628 comparable funds in Europe in terms of performance since its launch at end-2005. The figures are from the comparable Morningstar category Global Large-Cap Blend (equities). The fund is first among funds and share classes offering services to private individuals in Denmark. In 2017 Maj Invest Value Aktier and Maj Invest Value Aktier Akkumulerende (accumulative) were rated Silver in Morningstar's qualitative rating of selected funds.

Maj Invest Pension is number seven in terms of performance since its launch at the end of 2005 of 365 mixed funds offering services to clients throughout Europe in the Morningstar category Balanceret EUR Moderat Risiko – Global (balanced EUR moderate risk - global). Maj Invest Pension ranks number three among funds offering services to retail clients in Denmark.

In the period under review, Maj Invest Danske Obligationer (Danish bonds) and Maj Invest Globale Obligationer (global bonds) are placed first and fourth in their Morningstar categories among all European investment mutual funds and funds. Both funds are number one among funds providing services to retail clients in Denmark.

NEW NAME AND NEW FOCUS

Maj Invest Globale Aktier (global equities) has changed its name to Maj Invest Vækstaktier (growth equities), and on 13 June 2017 the portfolio was restructured to increase the potential for delivering good returns. Going forward Maj Invest Globale Aktier will look for companies with organic growth in revenues or an underlying cash flow that is at least 50 per cent higher than the market average. The companies are typically younger than the companies that were previously invested in.

Morningstar also rates selected funds qualitatively. Maj Invest Value Aktier (global value equities) and Maj Invest Value Aktier Akkumulerende (global value equities accumulative) were first rated in September 2016 with a bronze rating. In 2017 the rating was upgraded to silver. Only eight managers in Europe have funds with five-star ratings in the Global Large-Cap Blend category with positive qualitative ratings.

It is highly satisfactory that the mutual fund Maj Invest continues to be recognised for the results achieved. Morningstar's evaluation and rating confirm that the advisory services provided by Maj Invest Asset Management to Investeringsforeningen Maj Invest create stable results and that Investeringsforeningen Maj Invest's funds are quality products that compare favourably to competitive products.

The objective is for each fund to offer high quality and achieve good results. Therefore, it is not satisfactory that one fund is holding a rating below three stars.

In Denmark part 1 of the MiFID II EU Directive took effect on 1 July 2017. After this date distributors of Investeringsforeningen Maj Invest are no longer allowed to receive or retain inducement on behalf of their clients under mandates given by such clients. This also applies to any distributors who declare that they provide investment services on an independent basis.

In the first half-year, the mutual fund Investeringsforeningen Maj Invest consequently split seven funds into a listed share class with inducement and a non-listed share class without inducement, the latter being reserved for clients with discretionary mandates and professional clients in Fondsmæglerselskabet Maj Invest. The other funds do not pay any inducement.

The listed share class has kept its existing ISIN code and name. The alphabetic marker W has been added to the name of the non-listed share class. The share classes report their financial results separately and have their own costs and returns after deduction of costs. The portfolio itself is exactly the same for both share classes.

MAJ INVEST FORMUEFORVALTNING

Maj Invest Formueforvaltning provides high-net-worth clients with advisory services concerning asset allocation and asset management of listed securities and funds. The key concepts are a stringent investment process with solid focus on risk management and long-term asset growth for clients.

Maj Invest Formueforvaltning supplements other corporate activities and draws on both the group's asset management capabilities and analytical skills when advising clients.

Whereas focus in 2016 was on consolidating and adjusting a previously acquired client portfolio to match the investment processes that characterise Maj Invest Formueforvaltning, 2017 was characterised by the implementation of MIFID II, which legally became effective on 1 July 2017. As a consequence of MIFID II, the process of changing the investment strategy for clients' portfolios was initiated in the first six months of 2017.

MAJ INVEST INVESTOR RELATIONS & MARKETS

Investor Relations handles the group's client relations in Denmark and abroad and is the hub from which we enter into distribution agreements and provide distributors with information about Investeringsforeningen Maj Invest. Investor Relations takes active part in the expansion of the group's internationalisation strategy and has also in 2017 contributed to gaining more international institutional clients. Investor Relations has also actively contributed to expanding activities relating to Danish clients.

As an authorised member of Nasdaq OMX Nordic, Maj Invest Markets trades in both Danish and foreign equities and mutual fund units. Our Markets department provides services to professional investors.

Through arrangements with large international investment banks, Maj Invest Markets offers advisory services on and trading and execution services in international equities.

Maj Invest Markets is market maker for all funds of Investeringsforeningen Maj Invest and also provides information about the various funds of Investeringsforeningen Maj Invest.

MAJ INVEST EQUITY

Maj Invest Equity is one of the largest advisors of private equity funds with focus on medium-sized Danish companies. Maj Invest Equity benefits from many years of experience, knowledge and a wide network of business executives from investments in small and medium-sized private equity companies in Denmark. The advisory services on investments in unlisted equities are primarily provided through consultancy arrangements with the private equity funds LD Equity 1, 2 and 3 and Maj Invest Equity 4 and 5. Generally, 2017 was characterised by a very high level of activity, providing advisory services on the acquisition of four and sale of five portfolio companies.

Maj Invest Equity's broad investment focus on small and medium-sized companies builds on long-term partnerships, strategic and operational improvements and sound business acumen. Investing as a minority shareholder, albeit minimum 40 per cent, distinguishes our investment strategy from those pursued by most other private equity funds in Denmark. We concentrate on small and medium-sized companies typically with revenues between 200 million and 1 billion Danish kroner. They are typically involved in industrials, trade or the service sector with special emphasis on food, environment and energy, technology and brands. The mission of Maj Invest Equity is to grow small and medium-sized companies through active partnership.

Maj Invest Equity has a large investment team with extensive experience within private equity investments.

Investments are based on a number of criteria centred on enabling Maj Invest Equity to help create value. Investments are typically made in companies in which the existing owners wish to take the company to the next level in cooperation with a dynamic partner and realise part of their investment. This requires a considerable potential for operational and industrial value creation with a partnership-oriented management and organisation. Maj Invest Equity has focus on an in-depth adaptation of expectations with investment partners through a discussion of transparent plans, ambitions and objectives, as well as plans for the most important actions to be carried out through the ownership period. Companies must be focused on competences creating a competitive edge in the market, and management and owners must agree on a solid and carefully considered strategy and business plan. Partnership is key to collaboration with other shareholders, management and business partners.

As part of the Maj Invest group, Maj Invest Equity's principles for responsible investment are aligned with the UN's Principles for Responsible Investment (UN PRI).

Maj Invest Equity experienced a continuing favourable interest in the portfolio companies with a continued high level of activity. Maj Invest Equity acted as advisors to LD Equity 3 K/S on the sale of three portfolio companies.

Maj Invest Equity 4 K/S is fully invested. Focus in 2017 was on further developing the eight portfolio companies with a view to selling these over the next few years. By the end of 2017 an agreement was made to sell the design company Muuto to the US listed design company Knoll. The investment was made in the third quarter 2014, and since then Muuto's management team together with Maj Invest Equity have facilitated Muuto's growth by more

INVESTMENTS IN MAJ INVEST EQUITY 5 K/S

In 2017 Maj Invest Equity provided advisory services to Maj Invest Equity 5 K/S on the following four investments:

- Itadel (former TDC Hosting) is one the large suppliers that specialises in the outsourcing of business-critical IT operations and infrastructure in Denmark.
 - Icotera is a leading European supplier of gateway and software solutions to fiber network operators in Europe.
 - Aclass sells adventure tours in Germany, Holland, the UK, Sweden, Norway and Denmark through four product brands; Afrika-safari, Lamatours, Asiatours and USAventures.
 - Victor Gruppen Restauranter Holding owns ten leading restaurants in Copenhagen, including Café Victor, Fiat, Geist and Restaurant Kanalen.
-

than 40 per cent annually and continuously increased the company's market share. The investors of Maj Invest Equity 4 K/S received a very high return on their investment in Muuto, and the sale of Muuto has made it one of the best investments, which Maj Invest Equity has provided advisory services on.

In the second half of 2016 Maj Invest Equity launched advisory services in respect of a new fund, Maj Invest Equity 5 K/S. The fund had final closing in 2017 with a total commitment of DKK 2.1 billion at year-end 2017. Like the other Danish private equity funds to which Maj Invest Equity provides advisory services, Maj Invest Equity 5 K/S mainly focuses on investments in small and medium-sized Danish companies with development potential. In 2017 Maj Invest Equity provided the fund with advisory services on the acquisition of four investments.

MAJ INVEST EQUITY INTERNATIONAL

We carry on our international activities under the name of Maj Invest Equity International. Our group acts as advisor to four private equity funds investing in companies in Vietnam, Southeast Asia and within microfinancing.

The experience and expertise gained throughout the years from advisory services on private equity investments in Denmark have also been used internationally. Thus, the investment process is very similar to the strategy applied in connection with the acquisition and sale of Danish companies and also the value creation process in the holding period. By supplementing these compe-

tences with local knowledge, each fund obtains a strong competitive edge. In addition to Denmark, the group's international private equity activities are also represented in Vietnam, Singapore, Indonesia and Peru.

Maj Invest Equity International acts as advisor to Maj Invest Equity Vietnam I K/S on investments in companies in Vietnam. An attractive and varied portfolio of investments in Vietnamese companies with activities in service industries, education and IT has been created. For the majority of investments, value creation is based on growing Vietnamese purchasing power and the servicing of this as well as professionalisation and institutionalisation of the companies. The fund has made a successful sale of Vietnam's leading private international schools, Vietnam Australia School (VAS). With this sale the fund is now comprised of one portfolio company.

Additionally, Maj Invest Equity International acts as advisor to the follow-on private equity fund Maj Invest Equity Southeast Asia II K/S. The fund will focus on further investments in Vietnam and Indonesia as continued economic growth and attractive investment opportunities are expected in these regions. In 2017, the group provided advisory services on the acquisition of Gold's Gym, one of the leading fitness centres in Indonesia with 23 centres. In addition, the group provided advisory services on Kim Dental; one of only a few private suppliers of dental services in Vietnam. With the addition of these two investments, the fund now comprises a total of four investments.

INVESTORS HIGHLY INTERESTED IN MAJ INVEST FINANCIAL INCLUSION FUND II K/S

In 2017 Maj Invest Equity International saw an increased interest in Maj Invest Financial Inclusion Fund II K/S from a number of investors due to good returns in the first microfinance fund. Thus, in 2017 fund commitments increased four times with a total of USD 62 million. Consequently, total commitments amounted to USD 137 million.

Maj Invest Financial Inclusion Fund II K/S focuses on investments in the top segment of financial institutions and companies, including specialised banks, in Latin America, Asia and Africa, offering financial services to the group of clients below the middle class that often has no access to the financial services offered by traditional commercial banks.

Maj Invest Equity International has provided advisory services in respect of the following investments:

- Microcred Holding operates as microfinance institutions/banks through 200 branches in a number of African countries as well as in China.
 - Diviso Grupo Financiero is domiciled in Peru, but with financial activities in more countries in South and Central America.
 - Arohan Financial Services is the largest microfinance institution in eastern and northern India with approximately 300 branches in 7 states.
-

Our group has companies in Vietnam and Singapore, the latter with a representative office in Indonesia. These companies are consultants working for Fondsmægler-selskabet Maj Invest A/S in respect of private equity investments in Vietnam and Indonesia. The offices have a permanent staff with a large network and thorough knowledge of local Vietnamese and Indonesian business environments.

Maj Invest Equity International also acts as advisor to Danish Microfinance Partners K/S (fund I) and Maj Invest Financial Inclusion Fund II (fund II), investing in the top segment of financial institutions and companies, including specialised banks, in Latin America, Asia and Africa, offering financial services to the group of clients below the middle class that often has no access to the financial services offered by traditional commercial banks. Typical services include loans, savings, insurance and payment handling. Loans are granted to groups, individual clients or small companies.

Danish Microfinance Partners K/S (fund I) has made a total of six investments. After a company exit, the fund now comprises five investments: three in Latin America, one in India and one in Africa/China.

Maj Invest Equity International also acts as advisor to the follow-up private equity fund, Maj Invest Financial Inclusion Fund II K/S (fund II). In 2017, advisory services have been provided on an investment in Arohan Financial Services with activities in more states in India. With this acquisition the fund is now comprised of a total of three investments.

Our group has a company in Peru that acts as consultant to Fondsmægler-selskabet Maj Invest A/S concerning investments in the top segment of financial institutions and companies, including specialised banks, in Latin America. As a result of further commitments to Maj Invest Financial Inclusion Fund II K/S, the group is planning to set up an office in India in 2018 to ensure even better access to investment opportunities within this strongly growing segment in India.

MAJ BANK

After a successful start-up phase, the bank was ready for the next phase at the start of 2017 with emphasis on acquiring more clients and expanding business volumes as well as refining the client experience. Today our bank has the best possible basis for welcoming new clients and focusing on their advisory needs as regards

WHY MAJ BANK?

Maj Bank has the same business and investment principles and approach as Maj Invest. The Bank provides financial knowledge to its clients based on long-term and rational thinking with focus on fair costs.

Simplicity and focus are vital to create an overview which is a good starting point when it comes to long-term investment. Maj Bank has therefore developed Maj World which is the the Bank's digital platform.

Maj Bank's business philosophy is knowledge-based and its purpose is to pass on financial information and understanding to its clients. The Bank first sorts and analyses historical data including current news flows. Based on this process it creates an overview of financial and economic interrelationships. We call the result the "Big Picture".

Subsequently, based on years of experience, we initiate the investment approach that has provided the best results. Our investment strategy consists of three elements:

- The client's acceptance of risk and time horizon provide the basis for the choice of savings profile.
- Weighting of stocks versus bonds, including risk management.
- Choice of investment products that are most suitable for the particular savings profile.

Maj Bank differs from traditional investment service providers in that we focus on the creation of the big picture and in-depth knowledge of the few central, long-term economic and financial interrelationships, preventing us from being distracted by the constant flow of so-called "breaking news". This approach facilitates a long-term investment strategy. Maj Bank recommends few adjustments to client portfolios and chooses investment products with long-term durability. A "buy and hold" strategy as opposed to "day trading". The result is low costs for investors.

long-term savings and investments. Our ambition is to provide services that offer easy-to-understand solutions based on simplicity. Simplicity and overview are excellent starting points for making long-term investments.

The bank's advisory services focus on long-term economic relationships and broad financial and economic knowledge of investment approaches and market considerations. Knowledge is shared with clients through the developed IT knowledge platform, Maj World. Maj Bank hopes this knowledge sharing will help give clients an excellent basis for making their own investment decisions. Maj World is regularly updated with new and relevant professional articles and detailed information on investments as well as a number of new features, including return graphs and overviews.

Maj Bank offers accounts and custody accounts for savings and investment purposes. Maj Bank does not offer loans, current accounts, debit cards or payment services. Thus, Maj Bank is a niche bank providing advisory services to clients as a supplement to their everyday bank connection.

The bank has been given a good reception by clients. A user survey among existing clients has shown that clients are highly satisfied with the provided advisory services as well as Maj World. In 2017 Maj Bank has been working on increasing the knowledge of the bank and strengthening its client base by means of a number of different initiatives, including client events where one or two portfolio managers providing advisory services to *Investeringsforeningen Maj Invest* participated. The portfolio managers gave presentations on the principles behind and the selection of securities in the mutual funds to which they provide advisory services. The events were well-attended, and Maj Bank received positive feedback from participants. The plan is to host a number of similar client events in 2018. At year-end marketing efforts were intensified, but the effect is not expected until later. In 2017 the development in Maj Bank's assets was satisfactory.

SALARY AND REMUNERATION POLICY AND PRACTICE

Once a year the board of directors revises the group's salary and remuneration policy and practice. The board of directors has decided not to appoint a remuneration committee due to the group's size. The salary and remuneration policy appears (in Danish) on the group's website on www.majinvest.com/om-maj-invest/information/juridisk-information.

Note 8 to the financial statements provides further information on the remunerations and salaries of the board of directors, the executive board and staff whose activities significantly influence the company's risk profile by fixed and variable remuneration.

PERFORMANCE-BASED MANAGEMENT FEE AND BONUS SCHEME IN OUR PRIVATE EQUITY FUNDS

As is customary in our sector, the group and our clients, including investors in the private equity funds, have made agreements regarding performance-based management fees/carried interest. Under these schemes *Fondsmæglerselskabet Maj Invest A/S* - and in the new private equity funds *Maj Invest Equity A/S* - can, upon agreement, typically receive a performance-based management fee/carried interest in addition to the fixed fee if the individual fund generates excess returns. The fee is usually 20 per cent or higher of that part of the investment return that exceeds an agreed hurdle rate in average annual return over the total life of the fund or contract.

As part of the fund agreements, *Fondsmæglerselskabet Maj Invest A/S* has in the early established funds undertaken to use typically 50 per cent of the performance-based management fees on an incentive scheme intended for *Maj Invest Equity* staff involved in such investments. Fund agreements in the new funds stipulate that *Maj Invest Equity* staff involved in such investments will receive minimum 50 per cent of the performance-based management fees/carried interest to distribute among them. The time of payment of such fees from the funds to the group varies. *Maj Invest Equity* staff cannot receive payment from these schemes until certain predefined yield targets have been reached, which is often relatively late in the life of the individual fund.

The size of any performance-based management fees/carried interest is finally calculated when the individual fund is closed. Thus the fund may be adjusted upwards or downwards throughout its life, depending on the investment returns. As the group cannot be certain to receive any performance-based management fees/carried interest, such fees are recognised as contingent assets. Note 20 to the financial statements includes information on the size of nonrealised performance-based management fees after reserve for bonus schemes and taxes, etc.

MANAGEMENT AND OWNERSHIP

Maj Invest Holding A/S is the parent of the Maj Invest group. Fondsmæglerselskabet Maj Invest A/S and Maj Invest Equity A/S carry out a sizeable portion of our activities. The Maj Invest group also consists of Maj Bank A/S and a variety of management companies related to the group's activities in the Maj Invest Equity business area.

MANAGEMENT

The board of directors has seven members, three of whom are elected by staff. At the end of 2017 an election was held among staff at which two new staff members were appointed directors elected by staff and one was re-elected. The boards of directors of Maj Invest Holding A/S and Fondsmæglerselskabet Maj Invest A/S are identical except for the fact that Fondsmæglerselskabet Maj Invest A/S only has two directors elected by staff.

Together with two members of the parent's executive board, four members of the board of directors are also represented on the board of directors of Maj Invest Equity A/S.

Directorships and executive functions of the board of directors and our executive board appear in the chapter headed "Executive functions and directorships".

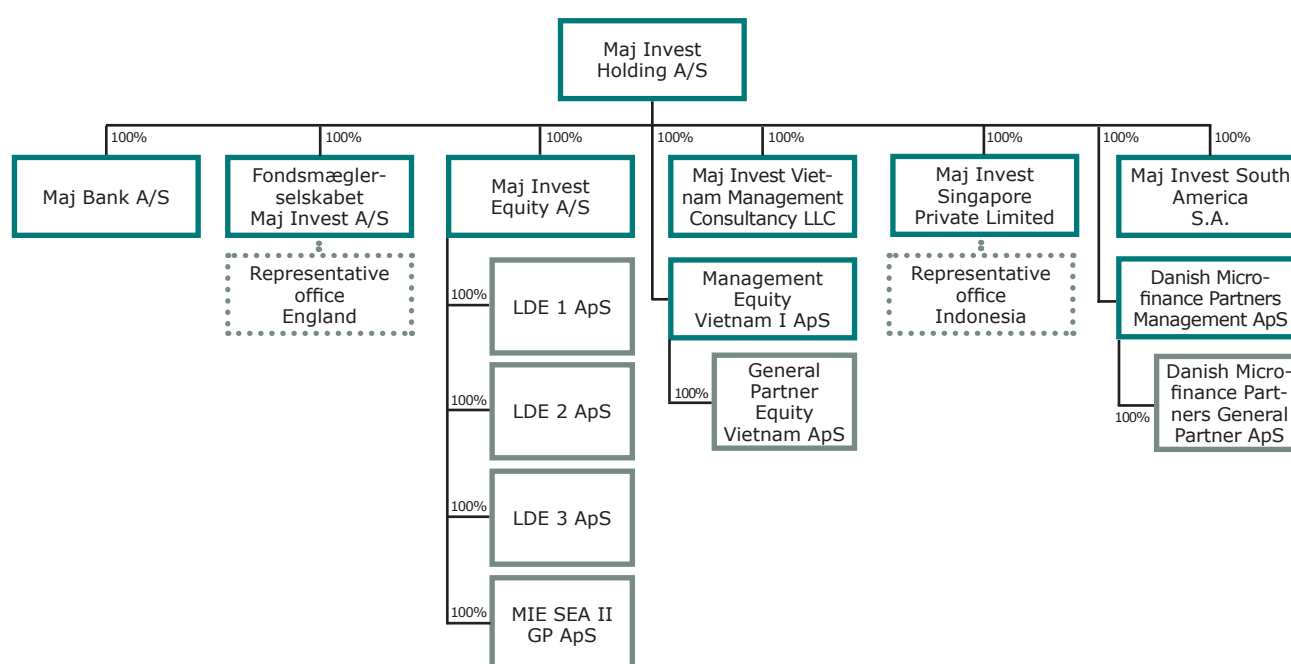
On the group's website, www.majinvest.com, there is a more detailed description of the group's legal, management and organisational structure.

Our board of directors has set a target for the share of the underrepresented gender at 40 per cent of shareholder-elected board members. In 2017 the board of directors took stock of this issue in particular and of our diversity policy in general. In 2016 the target was set with a three-year time frame. At year-end 2017 the share of the underrepresented gender was 25 per cent.

The boards of directors of the subsidiaries Fondsmæglerselskabet Maj Invest A/S and Maj Bank A/S have prepared a policy aiming at increasing representation of the underrepresented gender at other management levels and moreover to encourage diversity. The objective is to continue filling executive positions on the basis of the needed qualifications, but also to encourage diversity where possible.

Our long-term goal is to have the company reflect the surroundings making the company an attractive choice for both clients as well as current and future employees.

GROUP STRUCTURE



Note: Associated companies are not included in the group chart.

OWNERSHIP

Corporate employees have currently received an offer to buy shares in Maj Invest Holding A/S. This offer to employees should be viewed as an element in furthering shareholders' common interest as well as in retaining the competencies and qualifications held in our organisation and thus reinforcing staff commitment in a competitive financial group. All board members, our executive board and quite a few staff members have availed themselves of our offer to buy shares in Maj Invest Holding A/S. Group employees account for the second-largest group of shareholders in Maj Invest Holding A/S whereas our executive board and board of directors constitute the largest group.

In 2015 some staff members were offered options in Maj Invest Holding A/S. The offer was conditional on the individual staff member having, as a minimum, a shareholding equivalent to the options bought. This scheme is a retention scheme aimed at creating a shared sphere of interest between the groups of shareholders. We also believe that this scheme promotes a commitment to building a competitive financial group. Because staff members bought the options at fair value at the time of the offer, the offer did not constitute an incentive programme.

In early 2017 we decided to reduce our equity capital by cancelling some of our shares. The capital reduction was equivalent to 20 per cent of the company's capital. At end-year 2017 the composition of Maj Invest Holding A/S' shareholders was as shown in the figure below.

KNOWLEDGE RESOURCES

The group's business activities are based on providing advisory services regarding trading and investing in listed securities and private equity. This puts exacting demands on the qualifications and specialist know-how of our staff. A very high share of our staff has expertise in special investment areas.

We continuously strive to attract and retain staff with broad experience and professional skills and focus on developing staff competencies. We need this strategy to continue generating excellent results and extend our business foundation.

We have taken various initiatives aimed at making us an attractive workplace and to give our staff competitive salaries consisting of a fixed salary and a bonus scheme calculated on the basis of results achieved on behalf of our clients.

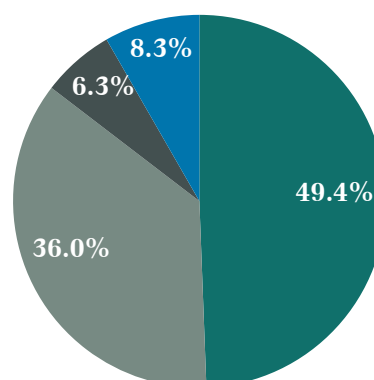
We are convinced that competitive remuneration is a must for attracting and retaining competitive executive officers and staff. An incentive-based remuneration or retention scheme can help promote business development that benefits our company. In our opinion, ownership with both management and staff as shareholders boosts value creation.

In 2017 the group employed an average of 107 staff members, two more than in 2016.

RESEARCH AND DEVELOPMENT ACTIVITIES

The group has not had any research activities; however, the subsidiary Maj Bank A/S has in 2017 further developed the IT knowledge platform Maj World together with external suppliers. ■

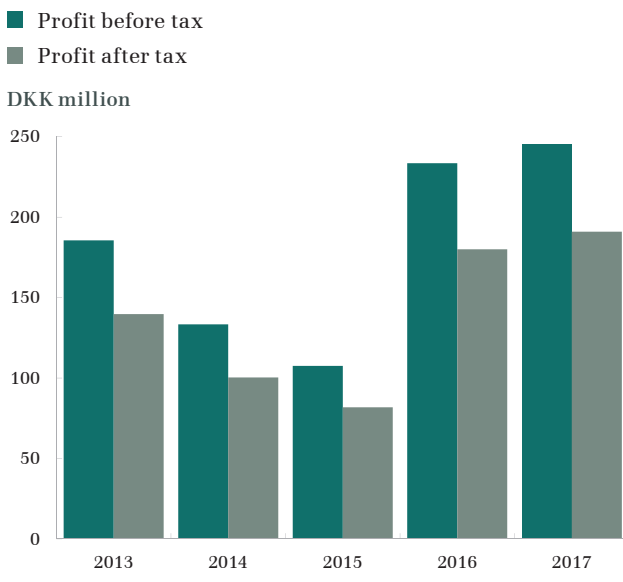
DISTRIBUTION OF SHARES IN MAJ INVEST HOLDING A/S



- Board of directors and executive board
- Staff
- Others
- Own shares

FINANCIAL REVIEW

TRENDS IN PROFIT



Consolidated profit before tax amounted to DKK 245.2 million against DKK 233.5 million in 2016. Consolidated profit after tax was DKK 190.9 million against DKK 180.0 million in 2016. The result is better than last year's record profit and is the best ever in the history of the group. The result is highly satisfactory.

Profits were significantly higher than expected, both compared with our original forecast for 2017, which was announced in our annual report for 2016, and also compared with the upgraded forecast announced on the publication of our interim report for the first half of 2017. At that time the forecast was adjusted upwards from profits after tax to the tune of DKK 130-140 million to profits estimated at DKK 160-180 million.

Realised gross income was substantially higher than our original forecast due to a huge rise in assets under management. In addition, market value and currency translation adjustments were considerably above the level announced in our original forecast for 2017. At the same time we managed to keep realised costs under the level expected for the year.

RISKS AND UNCERTAINTIES ON RECOGNITION AND MEASUREMENT

The major risks pertaining to recognition and measurement relate to market and liquidity-related transactions, performance fees and, to a smaller degree, to unlisted investments and the computation of intangible assets.

The market and liquidity-related positions are mostly placed in Danmarks Nationalbank (central bank), in Danish listed mortgage bonds and in large banks in Denmark. Moreover we have listed as well as unlisted investments primarily relating to Maj Invest Equity. The value of investments is measured at their fair values and adjusted currently in conformance with such values.

Intangible assets pertain to development costs for the IT platform Maj World and to an acquired client portfolio. These assets are written off currently, and the useful value of Maj World and the value of the client portfolio are assessed on a current basis. Consequently, there is, in our opinion, a modest uncertainty in respect of the measurement of these assets at year-end 2017.

The IFRS 9 financial reporting standard took effect on 1 January 2018. This standard has implemented revised accounting rules in respect of financial instruments including write-down charges on loans. The financial reporting standard is expected to have a very limited impact on the group as loans and receivables are insignificant in terms of volume, which is the reason that the transition rules relating to the new standard have not been applied.

There have been no extraordinary events in the period under review that can have affected recognition or measurement.

MAJ INVEST HOLDING A/S

Net interest and fee income totalled DKK 3.5 million in 2017 against DKK 3.7 million the year before. The amount includes a decline in dividends from DKK 3.6 million in 2016 to DKK 3.3 million in 2017. These dividends stem primarily from the investments in the private equity funds which the group provides advisory services to.

Market value and currency translation adjustments showed a gain of DKK 39.7 million against a gain of DKK 9.6 million in 2016. Equities provided a gain of DKK 39.8 million of which DKK 25.3 million stem from listed equities, and DKK 14.5 million stem from unlisted investments that, among other things, concern the company's investments in more of the private equity funds which the group provides advisory services to.

Market value adjustments of bonds showed a gain DKK 1.0 million in 2017. Currency translation adjustments contributed negatively with a loss of DKK 1.1 million.

Other operating income relating primarily to our administration of private equity funds increased from DKK 10.1 million in 2016 to DKK 14.3 million in 2017. The increase is a result of the rise in commitments relating to Maj Invest Financial Inclusion Fund II K/S. This has more than compensated for the run-off in a number of old funds where income is based on invested capital.

Staff costs, etc., fell by DKK 5.3 million to DKK 10.1 million. Compared with 2016, the decrease in staff costs is due to a reduction in the share of the employment rate of executive board members in relation to other group companies and a fall in bonus amounts charged to the income statement in 2017. In addition, the 2016 financial statements included costs relating to a severance package.

Administrative expenses accounted for DKK 2.8 million, which is a decline of DKK 0.5 million on 2016 when they amounted to DKK 3.3 million.

Results from interests in associated companies totalled DKK -5.3 million and are attributable to the company's Treasury investments. Results of interests in group enterprises totalled DKK 161.1 million, which is lower than the results in 2016 of DKK 177.5 million. Most of the results in group enterprises and the related trend are attributable to the subsidiaries Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S. Results in group enterprises are explained in more detail in "Trends in significant subsidiaries".

At year-end shareholders' equity was DKK 424.2 million, or a reduction of DKK 91.5 million compared with DKK 515.7 million at year-end 2016. In 2017 dividends of DKK 165.8 million were distributed concerning 2016 and DKK 100.0 million in interim dividends for 2017. The purchase and sale of own shares have net reduced shareholders' equity with DKK 16.4 million, whereas consolidation of profits for the year affected shareholders' equity positively with DKK 190.9 million. Other equity capital amounted to DKK -0.2 million.

At year-end 2017 the parent's balance sheet was DKK 560.5 million against DKK 615.6 million at year-end 2016.

TRENDS IN SIGNIFICANT SUBSIDIARIES

Fondsmæglerselskabet Maj Invest A/S and Maj Invest Equity A/S are the group enterprises where most of the activities take place, whereas Maj Bank A/S continues to be in a phase with main emphasis on acquiring more clients and expanding business volumes. The group's activities are mentioned on pages 9-16 in this annual report.

Fondsmæglerselskabet Maj Invest A/S' gross income was DKK 358.2 million, or a decrease of DKK 37.0 million on the previous year. There has been an improvement in consulting income deriving from a huge rise in assets under management, whereas performance-related fees were at a lower - however, still very satisfactory - level in 2017. Performance-related fees reached an extraordinarily high level in 2016. Costs rose by DKK 12.7 million to DKK 161.8 million, of which the main part is attributable to remuneration-related costs. Profit after tax was DKK 153.7 million in 2017 against DKK 191.3 million in 2016. Shareholders' equity at year-end was DKK 253.3 million and total assets were DKK 334.4 million.

Maj Invest Equity A/S provides administrative and advisory services to a number of private equity funds. The company's gross income totalled DKK 58.0 million against DKK 32.8 million the previous year. The increase is due to a full-year effect of income from Maj Invest Equity 5 K/S as well as an increase in income from Maj Invest Financial Inclusion Fund II K/S; the latter experiencing a keen interest from investors resulting in an 83 per cent rise in commitments. Total costs fell by DKK 2.2 million to DKK 36.5 million, among other things due to one-off costs in 2016.

Profit after tax was DKK 16.8 million in 2017 against a loss of DKK 4.7 million in 2016. Shareholders' equity amounted to DKK 30.8 million at year-end 2017, and total assets were DKK 68.8 million.

2017 was the second full year of operation since Maj Bank A/S was approved as a bank in 2015 by the Danish FSA. Throughout 2017 the bank focused on acquiring more clients and expanding business volumes as well as refining the client experience. The bank's result after tax of DKK -9.3 million in 2017 was as expected and the same as last year. Shareholders' equity amounted to DKK 68.1 million at year-end 2017, and total assets were DKK 110.2 million at year-end. The capital ratio was 252.8 per cent which is dramatically above the statutory requirement.

Our group also includes a number of companies relating to the business activities handled by Maj Invest Equity and Maj Invest Equity International. Their results aggregated DKK -0.1 million, and shareholders' equity totalled DKK 2.9 million at year-end.

COMMENTS IN RESPECT OF SELECTED ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2017 net interest income amounted to DKK 1.4 million against DKK 1.8 million in 2016. The lower net interest income is due to both decreasing interest income and increasing interest expenses.

Dividends on equities, etc. produced a gain of DKK 3.6 million against DKK 4.8 million in 2016. Dividends stem mainly from the group's investments in private equity funds under the group's management.

Net fee income amounted to DKK 401.3 million in 2017 against DKK 416.9 million in 2016. 2016 was characterised by extraordinarily high performance fees, and in 2017 the group's performance fees were at a very satisfactory level. Excluding performance fees, consulting income improved in 2017 due to a large rise in assets under management. The increase in commitments in Maj Invest Financial Inclusion Fund II K/S is also a positive contributor as new investors have paid fees dating back to the establishment of the fund.

Market value and currency translation adjustments amounted to DKK 45.5 million in 2017 against DKK 14.5 million in 2016. The increase can be attributed to the large equity-related market value adjustments, of which listed equities and mutual funds totalled DKK 32.2 million and unlisted investments provided a capital gain of DKK 14.8 million; most of this relates to the group's investments in more of the private equity funds under the group's management. Bonds produced a capital loss of DKK 0.2 million and currency translation adjustments including hedging transactions contributed negatively with DKK 1.3 million.

Staff costs and administrative expenses amounted to DKK 209.0 million, which is a modest rise of DKK 0.5 million on 2016.

In 2017 staff costs accounted for DKK 152.3 million, or an increase of DKK 6.6 million compared with 2016. This increase is the result of somewhat higher bonus costs, general wage increases, a rise in payroll-related costs of 0.5 percentage point, and the fact that, on average, the group employed two more people than in 2016.

Other administrative expenses dropped by DKK 6.1 million to DKK 56.7 million in 2017. The decline in other administrative expenses was within our private equity business, among other things due to one-off costs in 2016.

Depreciation charges on intangible and tangible assets totalled DKK 8.0 million, or an increase of DKK 1.0 million compared with DKK 7.0 million in 2016.

Results of interests in associated companies were a loss of DKK 5.3 million in 2017. Results are attached to the group's Treasury activities, which have grown during the year. In 2016 the group had no associated companies.

In 2017 profit before tax amounted to DKK 245.2 million, which is a rise of DKK 11.7 million compared with the year before. Corporate taxes are estimated at DKK 54.3 million, matching an effective tax rate of 21.8 per cent. After tax, profits amounted to DKK 190.9 million against DKK 180.0 million in 2016.

Total consolidated assets amounted to DKK 691.6 million at year-end. Amounts due from central banks and credit institutions were reduced by DKK 137.7 million to DKK 191.0 million at year-end. The amount has reduced due to the fact that we paid out DKK 265.8 million in 2017 concerning the previous year and interim for 2017. Moreover, changes in Maj Bank's deposits is matched by a corresponding change in amounts due from central banks and credit institutions.

The group's holding of bonds at year-end totalled DKK 218.4 million at year-end 2017 against DKK 252.2 million at year-end 2016. Equities and investments in some of the private equity funds under management increased from DKK 95.1 million at year-end 2016 to DKK 168.0 million at year-end 2017. Some of this increase is prompted by the market value adjustments recorded as income in 2017 due to large unrealised capital gains.

Other assets fell from DKK 78.3 million at year-end 2016 to DKK 54.7 million at year-end 2017. Most other assets and their related change concern deposits from clients, including performance fees receivable.

At year-end 2017 shareholders' equity totalled DKK 424.2 million against DKK 515.7 million at year-end 2016. In 2017 dividends of DKK 165.8 million concerning the financial year 2016 as well as interim dividends of DKK 100.0 million concerning 2017 were distributed. The acquisition and sale of own shares reduced shareholders' equity by net DKK 16.4 million. The consolidation of profits for the year in the amount of DKK 190.9 million affected shareholders' equity positively whereas other equity items had a negative effect in the amount of DKK 0.2 million.

CAPITAL AND CAPITAL RATIOS

The group's own funds totalled DKK 329.5 million at year-end 2017 against DKK 282.6 million at year-end 2016. In note 26 of the financial statements there is a link between shareholders' equity and own funds.

Of the DKK 46.9 million increase in own funds, DKK 44.5 million concern a reversal of dividend at end-2016 on the shares cancelled in connection with the reduction in capital finally registered in Erhvervsstyrelsen (the Danish Business Authority) on 16 February 2017.

The group's capital ratio was 31.1 per cent at year-end. This is an increase of 2.3 percentage points compared with year-end 2016, among other things due to the increase in own funds.

Group risk exposures totalled DKK 1,060.4 million at year-end 2017 against DKK 980.7 million at year-end 2016. Credit risk exposures were DKK 379.6 million, market risk exposures were DKK 70.9 million, and operational risk items were DKK 609.9 million at year-end.

At year-end the parent's own funds amounted to DKK 356.2 million against DKK 293.0 million at year-end 2016, of which DKK 44.5 million concern the reversal of dividend in connection with the reduction in share capital mentioned above. The capital ratio was 49.9 per cent. At end-2016 the capital ratio was 40.9 per cent. The increase should - as for the group - mainly be seen in the context of the increase in own funds.

The group as well as parent company both have own funds, which are considerably higher than the minimum requirements set by the board of directors.

CORPORATE RISKS

As a financial business the group undertakes various risks relating to credit, market, liquidity and operations. Risk management is a crucial activity given the full attention of management because uncontrolled development of such risks could adversely impact consolidated profit and the level of capital.

For a detailed description of corporate risks see note 29 (Financial instruments and risks) and the document (in Danish) on our website www.majinvest.com/om-majinvest/information/kapitalforhold-og-risici, which discloses financial information on capital and risks in compliance with the Capital Requirements Regulation (CRR).

DISTRIBUTION OF PROFIT

The board of directors recommends that the general meeting approve the distribution of dividends in the amount of DKK 1.6 per share of DKK 1, corresponding to DKK 58.2 million in total. Together with the interim dividends of DKK 100.0 million distributed in August, this is equivalent to total dividends of DKK 158.2 million for the 2017 financial year. The board recommends that the remaining amount be retained.

OUTLOOK FOR 2018

Consolidated gross income excluding performance fees is expected to be at a higher level in 2018 than in 2017. Consolidated gross income including performance fees is estimated to be lower in 2018 than in 2017.

We expect a higher level of activity in the group in 2018, which will lead to higher costs than in 2017.

Overall, we forecast net profit after tax for 2018 to range between DKK 100 and 120 million.

Some uncertainty attaches to the outlook for 2018, and there are more reasons for this. The portion of consolidated income that depends on assets under management is affected by trends in the financial markets, earnings in foreign currency depend on currency fluctuations, and the level of performance-based fees is generally difficult to forecast.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance-sheet date and before the signing of the annual report that are thought to materially affect the assessment of our annual report. ■

FINANCIAL MARKETS

ECONOMIC TRENDS

Many observers have been surprised at the duration of the economic expansion in the USA. The growth throughout 2017 has increasingly inspired investor confidence in a new Goldilocks scenario with stable growth and consistently low inflation. In Maj Invest's opinion, a 'soft landing' is in fact a plausible scenario for the US economy.

An economic expansion is typically the result of an underlying credit expansion, and the continuous growth in 2017 thus mirrors the uninterrupted increase in credit creation. However, we are convinced that the expansion of credit in the USA is gradually approaching a normal peak in the business cycle and therefore likely to begin losing momentum.

Fortunately, the tightening of monetary policies has been extremely restrained compared with previous episodes. The slowdown of credit-funded demand is therefore also expected to be gradual and restrained, with the apparent prospect of a soft landing for the US economy in 2018. Additionally, the fairly substantial tax cuts which president Trump has managed to get through Congress will also help sustain growth. However, they are largely designed to cut the corporate tax rate, and in our view, the primary effect of these cuts will be a boost in stock prices while the effect on economic growth will be fairly modest.

Europe experienced a renewed credit contraction during its sovereign debt crisis in 2011-12, and after the financial crisis, credit only started expanding in earnest in 2014. Although the economic expansion in Europe thus lags three to four years behind that of the USA, it has now unquestionably manifested itself (as investors are also finally acknowledging). Indebtedness in Europe is however nowhere near a normal peak level which means that economic expansion can potentially continue for several years.

In China, indebtedness has now reached extreme levels. For years, the Chinese authorities have wanted to control the development, but the interests of continuing economic expansion have weighed more heavily and will probably continue to do so in the future.

Thus, overall, we largely share the market's belief that global business will continue its growth throughout 2018.

THE GLOBAL CYCLE IN MANUFACTURING

In our opinion, the market is overlooking an important aspect of the development in 2017. The core element of globalisation was the establishment of a global supply chain, which by and large makes the industrial market cycle a single, common global business cycle. In the short term, the global supply chain is dominated by inventory fluctuations, periodically masking any underlying trends in the global economy.

By way of example, it was a reversal in inventory investments that caused the industrial market cycle to contract at the end of 2015 and early 2016 when many investors wrongly believed the global economy was heading for a recession.

We are convinced that the current solid growth in the manufacturing sector is linked to a substantial build-up of inventories that is in progress. This foreshadows a period of distinctly disappointing economic indicators once the inventory build-up ends, probably in early 2018. The outsourcing of big sections of industrial production to emerging markets means these regions in particular are enjoying the benefits of the strong cycle in manufacturing. In return, they will be the most vulnerable once the disappointing indicators set in.

At the beginning of 2017 the markets were still marked by lack of confidence in the duration of the economic expansion in Europe, and in terms of exchange rates, investors seemed to be anticipating a weaker euro and placing their investments accordingly. The euro therefore grew stronger in step with the growing confidence in the economic expansion, and vis-a-vis the US dollar the euro ended 14.1 per cent above the rate of exchange at end-2016.

FINANCIAL MARKETS IN 2017

Based on the growing faith in continuing economic growth, the global stock markets rose in 2017. The American S&P 500 index increased fairly steadily throughout 2017, ending 19.4 per cent above the end-2016 level. However, owing to the stronger euro, this was only equivalent to a 4.9 per cent rise measured in Danish kroner. The German DAX index ended with a hike of 12.5 per cent. The so-called emerging market stocks had a good year, and the Morgan Stanley EM index rose by 34.3 per cent (18.0 per cent in Danish kroner). The Danish C20 index was up by 15.9 per cent.

With continuously low inflation, the interest rate markets experienced relatively minor fluctuations, and the US 10-year treasury yield ended the year at 2.41 per cent, 0.04 percentage point below the end-2016 level. The corresponding rates in Germany and Denmark ended at 0.43 per cent and 0.48 per cent, 0.22 percentage point and 0.15 percentage point, respectively, above the end-2016 levels. The German-Spanish rate gap narrowed by 0.04 percentage point to 1.14 percentage point and the Italian-German rate gap fell by 0.02 percentage point to 1.59 percentage point.

FINANCIAL MARKETS - OUTLOOK FOR 2018

In the wake of the economic expansion, European corporations have generally seen a sharp increase in earnings, and based on consensus expectations we think investors are underestimating the possibilities for retaining and expanding this earnings improvement. In contrast, investors apparently perceive the current highly robust growth in the manufacturing cycle as durable and therefore, in our opinion, overestimate the potential for earnings growth in the USA and the emerging markets.

We generally consider the stock market as vulnerable to mood swings at the end of an ongoing build-up of inventories when, for a period, business cycle indicators will disappoint. However, in these circumstances we believe

that, in the slightly longer term, sustained underlying earnings increases in the USA and Europe will bring the stock markets back on track. Whether the same will hold true for emerging markets seems more uncertain.

Since the financial crisis the central banks have amassed extraordinarily large quantities of liquid assets at extremely low interest rates, and the Fed, in particular, now fears this may cause bubbles in the financial markets. The Fed therefore wants to raise rates and reduce liquidity, but is still concerned about deflation and would like to see the rate of inflation rise slightly first. The low inflation rate is caused not least by the heavy growth in e-commerce, which is squeezing retail margins. The Fed is therefore likely to implement the desired increase in its central bank rate at a very restrained pace. In Maj Invest's assessment the current level of the American 10-year rate reasonably matches the outlook for its monetary policy.

Long-term interest rates in Europe are under pressure from the ECB's quantitative easing programmes. Towards the end of 2018, in step with the ECB's pledge to gradually withdraw its quantitative easing programmes, the risk of a lift in European interest rates will increase. This may also cause a derived effect on rates in the USA. ■



EXECUTIVE FUNCTIONS AND DIRECTORSHIPS

Executive functions and directorships in commercial enterprises

BOARD OF DIRECTORS

■ TOMMY PEDERSEN, CHAIRMAN

Chairman of the boards of:
Fondsmæglerselskabet Maj Invest A/S
Maj Invest Equity A/S
Maj Invest Holding A/S
Nycredit Forsikring A/S

Vice chairman of the boards of:
Bodum Holding AG, Switzerland
Bodum Land A/S
Løvenholm Fonden
Peter Bodum A/S

Directorships:
Den Danske Forskningsfond
Jeudan A/S
Pharmacosmos Holding A/S with one subsidiary
Societe Generale Equipment Finance, Norway

Managing Director:
TP Advisers ApS

Remuneration 2017: DKK 150 thousand
At group level: DKK 525 thousand

■ HENRIK ANDERSEN

Directorships:
Fondsmæglerselskabet Maj Invest A/S
Maj Invest Equity A/S
Maj Invest Holding A/S
Vestas Wind Systems A/S

CEO:
Hempel A/S

Other offices:
Maj Invest Equity 4 K/S,
investment committee member

Remuneration 2017: DKK 50 thousand
At group level: DKK 175 thousand

■ NILS BERNSTEIN

Chairman of the boards of:
Danref Holding A/S with two subsidiaries

Directorships:
Fondsmæglerselskabet Maj Invest A/S
Maj Bank A/S
Maj Invest Equity A/S
Maj Invest Holding A/S

Remuneration 2017: DKK 50 thousand
At group level: DKK 325 thousand

■ RUTH SCHADE

Directorships:
Fondsmæglerselskabet Maj Invest A/S
Maj Invest Equity A/S
Maj Invest Holding A/S
BG af 31. december 2010 A/S
Buskysminde A/S
Danfrugt Skjælskør A/S
Femern Bælt A/S
Harboe Ejendomme A/S
Keldernæs A/S
Lundegård A/S
Rugbjerggård A/S
Skælskør Bryghus A/S
Sund og Bælt Holding A/S with three subsidiaries
Vejrmøllegård ApS
Visbjerggården A/S

Managing Director (not registered):
Harboes Bryggeri A/S

Remuneration 2017: DKK 50 thousand
At group level: DKK 175 thousand

■ TOMAS MUNKSGARD HOFF

Directorships:
Fondsmæglerselskabet Maj Invest A/S
Maj Invest Holding A/S

Director's remuneration 2017 (normal salary paid to directors elected by staff not disclosed): DKK 50 thousand
At group level: DKK 175 thousand

■ SØREN KRAG JACOBSEN

Directorships:

Maj Invest Holding A/S

Joined the board of directors in 2018 and has thus not received remuneration for 2017.

■ ANDERS MØLLER OLESEN

Directorships:

Fondsmæglerselskabet Maj Invest A/S

Maj Invest Holding A/S

Joined the board of directors in 2018 and has thus not received remuneration for 2017.

As regards executive board members' directorships, please refer to section 80 (1) of the Danish Financial Business Act.

EXECUTIVE BOARD

■ JEPPE CHRISTIANSEN

Chairman of the boards of:

EMLIKA ApS with one subsidiary

Haldor Topsøe A/S

Vice chairman of the boards of:

Maj Bank A/S

Novo Nordisk A/S

Directorships:

Maj Invest Equity A/S

Kirkbi A/S

Novo Holding A/S

Symphogen A/S

CEO:

Fondsmæglerselskabet Maj Invest A/S

Maj Invest Holding A/S

Managing Director:

Maj Invest Equity A/S

Det Kgl. Vajsenhus

EMLIKA ApS

Other offices:

Danish Microfinance Partners K/S,

investment committee member

Maj Invest Equity 4 K/S,

investment committee member

Maj Invest Equity 5 K/S,

investment committee member

Maj Invest Equity Southeast Asia II K/S,

investment committee member

Maj Invest Equity Vietnam I K/S,

investment committee member

Maj Invest Financial Inclusion Fund II K/S,

investment committee member

Salary 2017: DKK 1,000 thousand including company car subsidy. At group level: DKK 6,669 thousand including company car subsidy.

■ ERIK HOLM

Chairman of the boards of:

Sticks'n'Sushi Holding A/S with three subsidiaries

Cenex ApS

VGRH II ApS

Victor Gruppen Restauranter Holding ApS

Vice chairman of the boards of:

Arvid Nilssons Fond

Itadel A/S

SP Group A/S with one subsidiary

Directorships:

Fonden Maj Invest Equity General Partner

Maj Invest Equity A/S

Maj Invest Singapore Private Ltd.

Maj Invest South America S.A.

MIE4 7 Datter ApS

AO Invest A/S

Brødrene A. & O. Johansen A/S

Svendsen Sport A/S

CEO:

Maj Invest Equity A/S

Managing Director:

Fondsmæglerselskabet Maj Invest A/S
 Maj Invest Holding A/S
 Erik Holm Holding ApS
 MIE5 Holding 4 ApS

Other offices:

LD Equity 1 K/S,
 investment committee member
 LD Equity 2 K/S,
 investment committee member
 LD Equity 3 K/S,
 investment committee member
 Maj Invest Equity 4 K/S,
 investment committee member
 Maj Invest Equity 5 K/S,
 investment committee member
 Maj Invest Equity Vietnam I K/S,
 investment committee member
 Maj Invest Equity Southeast Asia II K/S,
 investment committee member

Salary 2017: DKK 780 thousand

At group level: DKK 5,200 thousand

■ HENRIK PARKHØI

Directorships:

Maj Bank A/S
 Maj Invest Singapore Private Ltd.
 Maj Invest South America S.A.
 Maj Invest Vietnam Management Consultancy LLc.
 Investeringsforvaltningsselskabet SEBinvest A/S

Deputy CEO:

Fondsmæglerselskabet Maj Invest A/S

Managing Director:

Maj Invest Holding A/S

Salary 2017: DKK 670 thousand

At group level: DKK 4,468 thousand



FINANCIAL STATEMENTS

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK thousand	Note	Group		Parent	
		2017	2016	2017	2016
Interest income	3	3,371	3,573	1,283	1,191
Interest expense	4	(2,009)	(1,783)	(1,060)	(1,067)
Net interest income		1,361	1,789	223	124
Dividend on equities etc.		3,646	4,820	3,328	3,555
Fee and commission income		471,637	514,407	-	-
Fee and commission expense		(70,328)	(97,499)	(23)	(16)
Net interest and fee income	6, 7	406,316	423,517	3,528	3,663
Market value and currency translation adjustments	5, 6, 7	45,456	14,509	39,681	9,624
Other operating income		15,757	11,167	14,296	10,064
Staff costs and administrative expenses	8	(208,994)	(208,492)	(12,932)	(18,648)
Depreciation, amortisation and impairment of intangible and tangible assets		(7,976)	(6,993)	(58)	(59)
Other operating costs		(5)	(300)	-	-
Loan impairment charges	9	(0)	61	(0)	61
Results of interests in associated companies and group enterprises	15, 16	(5,333)	-	155,805	177,505
Profit before tax		245,222	233,469	200,321	182,210
Tax	10	(54,298)	(53,465)	(9,397)	(2,205)
Net profit for the year		190,924	180,004	190,924	180,004
Other comprehensive income					
Translation of results of foreign entities		(292)	37	(292)	37
Adjustment of subsidiary		5	-	5	-
Other comprehensive income, total		(287)	37	(287)	37
Comprehensive income for the year, total		190,637	180,041	190,637	180,041

DISTRIBUTION OF PROFIT

For distribution			
Transferred from "Other reserves"		158,184	222,645
Net profit for the year		190,924	180,004
For distribution, total		349,108	402,649
Proposed distribution			
Proposed dividend		58,160	222,645
Extraordinary dividend distributed in the financial year		100,024	-
Provision for "Reserve for revaluation using the equity method"		155,805	177,505
Provision for equity under "Retained earnings"		35,119	2,499
Distributed amount, total		349,108	402,649

BALANCE SHEET

DKK thousand	Note	Group		Parent	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
ASSETS					
Cash in hand and demand deposits with central banks		37,107	33,745	-	-
Due from credit institutions	11	153,897	294,946	5,252	30,907
Loans and receivables	12	3,366	3,366	3,366	3,366
Bonds at fair value	13	218,425	252,231	5,918	7,293
Equities etc.	14	167,997	95,135	154,176	81,922
Interests in associated companies	15	34,198	-	34,198	-
Interests in group enterprises	16	-	-	355,132	486,733
Intangible assets	17	6,354	10,199	58	82
Other tangible assets	18	4,073	4,460	4	19
Current tax assets		4,992	12,938	-	-
Deferred tax assets		30	-	9	8
Other assets	19	54,680	78,287	1,974	4,651
Prepaid expenses		6,481	13,062	453	663
Total assets		691,600	798,370	560,538	615,643

BALANCE SHEET

DKK thousand	Note	Group		Parent	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
LIABILITIES					
Debt					
Due to credit institutions	21	98,349	59,965	98,349	59,965
Deposits	22	37,469	61,696	-	-
Current tax liabilities		2	2,040	9,774	3,189
Other liabilities	23	93,694	118,194	27,775	36,308
Accrued income		23,280	24,346	440	435
Total debt		252,794	266,241	136,338	99,897
Provisions					
Provisions for deferred tax		605	1,383	-	-
Other provisions	24	14,000	15,000	-	-
Provisions, total		14,605	16,383	-	-
Shareholders' equity					
Share capital		36,350	45,438	36,350	45,438
Accumulated value adjustments					
Accumulated currency translation of foreign entities		(229)	63	(229)	63
Other reserves					
Net revaluation using the equity method		-	-	71,024	99,214
Other reserves		19,901	36,277	205,494	130,104
Retained earnings		310,018	211,322	53,400	18,281
Proposed dividend		58,160	222,645	58,160	222,645
Total shareholders' equity		424,201	515,746	424,201	515,746
Total liabilities		691,600	798,370	560,538	615,643

Notes not referred to: 1, 2, 20, 25, 26, 27, 28 and 29.

STATEMENT OF CAPITAL - GROUP

2017	Share capital	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Minority interests	Total
DKK thousand							
Shareholders' equity, year-end 2016	45,438	36,277	63	211,322	222,645	-	515,746
Net profit for the year	-	-	-	190,924	-	-	190,924
Other comprehensive income							
Translation of results of foreign entities	-	-	(292)	-	-	-	(292)
Adjustment of subsidiary	-	5	-	-	-	-	5
Other comprehensive income, total	-	5	(292)	-	-	-	(287)
Comprehensive income for the year, total	-	5	(292)	190,924	-	-	190,637
Transactions with owners							
Capital reduction	(9,088)	-	-	9,088	-	-	-
Dividend 2016	-	-	-	-	(165,777)	-	(165,777)
Reversal of dividend 2016, cancelled shares	-	-	-	44,530	(44,530)	-	-
Non-distributed dividend, own shares 2016	-	-	-	12,338	(12,338)	-	-
Extraordinary dividend 2017	-	-	-	(100,024)	-	-	(100,024)
Proposed dividend	-	-	-	(58,160)	58,160	-	-
Acquisition of own shares	-	(28,541)	-	-	-	-	(28,541)
Sale of own shares	-	12,159	-	-	-	-	12,159
Shareholders' equity, year-end 2017	36,350	19,901	(229)	310,018	58,160	-	424,201

STATEMENT OF CAPITAL - GROUP

2016	Share capital	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Minority interests	Total
DKK thousand							
Shareholders' equity, year-end 2015	45,438	13,545	26	299,402	-	-	358,411
Net profit for the year	-	-	-	180,004	-	-	180,004
Other comprehensive income							
Translation of results of foreign entities	-	-	37	-	-	-	37
Other comprehensive income, total	-	-	37	-	-	-	37
Comprehensive income for the year, total	-	-	37	180,004	-	-	180,041
Transactions with owners							
Extraordinary dividend 2016	-	-	-	(45,438)	-	-	(45,438)
Proposed dividend	-	-	-	(222,645)	222,645	-	-
Acquisition of own shares	-	(30,934)	-	-	-	-	(30,934)
Sale of own shares	-	53,665	-	-	-	-	53,665
Shareholders' equity, year-end 2016	45,438	36,277	63	211,322	222,645	-	515,746

STATEMENT OF CAPITAL - PARENT

2017	Share capital	Reserve for net revaluation using equity method	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Total
DKK thousand							
Shareholders' equity, year-end 2016	45,438	99,214	130,104	63	18,281	222,645	515,746
Net profit for the year	-	155,805	-	-	35,119	-	190,924
Other comprehensive income							
Translation of results of foreign entities	-	-	-	(292)	-	-	(292)
Adjustment of subsidiary	-	5	-	-	-	-	5
Other comprehensive income, total	-	5	-	(292)	-	-	(287)
Comprehensive income for the year, total	-	155,810	-	(292)	35,119	-	190,637
Transactions with owners							
Capital reduction	(9,088)	-	9,088	-	-	-	-
Dividend 2016	-	-	-	-	-	(165,777)	(165,777)
Reversal of dividend 2016, cancelled shares	-	-	44,530	-	-	(44,530)	-
Non-distributed dividend, own shares 2016	-	-	12,338	-	-	(12,338)	-
Extraordinary dividend from subsidiaries 2017	-	(113,000)	113,000	-	-	-	-
Expected dividend from subsidiaries*	-	(71,000)	71,000	-	-	-	-
Extraordinary dividend 2017	-	-	(100,024)	-	-	-	(100,024)
Proposed dividend	-	-	(58,160)	-	-	58,160	-
Acquisition of own shares	-	-	(28,541)	-	-	-	(28,541)
Sale of own shares	-	-	12,159	-	-	-	12,159
Shareholders' equity, year-end 2017	36,350	71,024	205,494	(229)	53,400	58,160	424,201

*Dividend will be approved at the annual general meeting in the spring 2018.

STATEMENT OF CAPITAL - PARENT

2016	Share capital	Reserve for net revaluation using equity method	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Total
DKK thousand							
Shareholders' equity, year-end 2015	45,438	101,709	195,456	26	15,782	-	358,411
Net profit for the year	-	177,505	-	-	2,499	-	180,004
Other comprehensive income							
Translation of results of foreign entities	-	-	-	37	-	-	37
Other comprehensive income, total	-	-	-	37	-	-	37
Comprehensive income for the year, total	-	177,505	-	37	2,499	-	180,041
Transactions with owners							
Expected dividend from subsidiaries*	-	(180,000)	180,000	-	-	-	-
Extraordinary dividend 2016	-	-	(45,438)	-	-	-	(45,438)
Proposed dividend	-	-	(222,645)	-	-	222,645	-
Acquisition of own shares	-	-	(30,934)	-	-	-	(30,934)
Sale of own shares	-	-	53,665	-	-	-	53,665
Shareholders' equity year-end 2016	45,438	99,214	130,104	63	18,281	222,645	515,746

*Dividend was approved at the annual general meeting in the spring 2017.

STATEMENT OF CAPITAL - PARENT

The company's share capital consists of 36,350,000 shares of DKK 1 (year-end 2016: 45,437,820).

The company has 227,000 options at year-end ultimo 2017 (year-end 2016: 454,000) entitling holders to subscribe for a share. The issued options may be exercised in two annual periods, first period in September 2017 and last period in September 2020.

The strike price of the issued options is the fair value of the underlying assets at the time of issue with the addition of the official discount rate computed on a month-by-month basis.

In early 2017 the company decided to reduce its capital by 9,087,820 shares through the cancellation of own shares. The reduction in capital was finally registered in Erhvervsstyrelsen (the Danish Business Authority) on 16 February 2017.

Own shares	Shares		In per cent of capital
	Number	Nom. value	
2017			
Own shares 1 January*	11,605,875	11,605,875	25.5%
Cancellation of own shares*	(9,087,820)	(9,087,820)	(20.0%)
Acquisition of own shares	1,645,200	1,645,200	4.5%
Sale of own shares	(1,132,662)	(1,132,662)	(3.1%)
Own shares 31 December	3,030,593	3,030,593	6.7%

*In per cent of capital is calculated on the basis of share capital of DKK 45,438 thousand before cancellation of own shares.

Own shares were acquired in connection with employees leaving our employment. Own shares were sold in connection with the recruitment of group staff and as an extraordinary offer made to corporate employees. Additionally, own shares were sold in connection with employees exercising their options in the company. The net value of the annual acquisition and sale of own shares was DKK -16,382 thousand.

Own shares	Shares		In per cent of capital
	Number	Nom. value	
2016			
Own shares 1 January	17,463,374	17,463,374	38.4%
Acquisition of own shares	1,572,800	1,572,800	3.5%
Sale of own shares	(7,430,299)	(7,430,299)	(16.4%)
Own shares 31 December	11,605,875	11,605,875	25.5%

Own shares were acquired in connection with employees leaving our employment, and board members resigning from their position. Own shares were sold in connection with the recruitment of group staff and as an extraordinary offer made to corporate employees, executive board members and directors. Additionally, own shares were sold in connection with employees exercising their warrants in the company. The net value of the annual acquisition and sale of own shares was DKK 22,732 thousand.

NOTES

Note 1 Accounting principles

GENERAL

The annual report, which comprises the group and its parent Maj Invest Holding A/S, has been prepared in compliance with the Danish Financial Business Act including the Executive Order on Financial Reporting by Credit Institutions and Investment Companies etc. and the guidelines issued by the Danish Financial Supervisory Authority.

Our accounting policies are the same as last year.

Consolidation

The consolidated financial statements comprise the parent Maj Invest Holding A/S and the entities, in which the parent directly or indirectly holds more than 50% of the voting rights, or in which the parent has a controlling interest through its holdings of shares or in some other manner.

The consolidated financial statements are prepared by aggregating uniform income, costs, assets and liabilities. Intra-group income and expenses, accounts and intra-group profit or loss arising from transactions between consolidated entities are eliminated.

The financial statements included in the consolidated financial statements have been prepared in compliance with the group's accounting policies.

The parent's interests in consolidated subsidiaries are eliminated against the parent's share of the particular subsidiary's equity value.

Recognition and measurement

All income and expenses relating to the reporting period are recognised in the income statement regardless of time of payment.

In compliance with MiFID II retrocession fees, which must not be retained as of 1 July 2017 but have to be paid out to clients, are no longer recognised as fees or commissions received or paid. In the balance sheet, non-settled commissions are recognised under other assets or liabilities, respectively. There have been no adjustments to financial figures for periods prior to 1 July 2017 as this practice is the result of new regulations and not a change in accounting policy.

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the company, and the values of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the company, and the values of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement of assets and liabilities after initial recognition is made as described below for each accounting item.

Recognition and measurement of assets and liabilities have taken into account any information available after the balance sheet date but before the presentation of the annual report, either affirming or not affirming conditions existing on the balance sheet date.

Foreign currency

Transactions in foreign currency are translated into Danish kroner at the exchange rates prevailing on the transaction date.

Monetary items in currencies other than Danish kroner are translated into Danish kroner at the closing rates of the particular currencies on the balance sheet date.

Non-monetary items in currencies other than Danish kroner recognised at cost are translated into Danish kroner at the exchange rates on the transaction date.

NOTES

Note 1 cont.

Non-monetary items in currencies other than Danish kroner recognised at fair value are translated into Danish kroner at the closing rates on the balance sheet date.

Any foreign currency translation adjustments are recognised in the income statement. Any foreign currency translation adjustments relating to foreign entities are recognised in other comprehensive income.

Derivatives

On initial recognition, derivatives are recognised at cost in the balance sheet and subsequently measured at fair value. Any changes in the fair values of derivatives are recognised currently in the income statement.

Intra-group transactions

Intra-group transactions are made on an arm's length basis or settled on the basis of actual costs.

Translation of foreign entities

The profits or losses of foreign associated companies or subsidiaries are translated at the rates on the transaction date or corresponding average rates.

Balance sheet items are translated at the rates on the balance sheet date. Any foreign currency translation adjustments arising from the translation of equity at the beginning of the year and any currency translation adjustments arising from the translation into Danish kroner (DKK) of profits or losses of foreign entities' functional rates are recognised directly in other comprehensive income.

Tax

Tax on the year's results consisting of current tax and deferred tax for the reporting period is recognised in the income statement with the portion that is attributable to the results for the year and directly via equity with the portion that is attributable to equity transactions. Any changes in deferred tax due to tax rate adjustments are recognised in the income statement.

Provisions are made for both current and deferred taxes for the period under review in respect of the jointly taxed consolidated entities. The company is jointly taxed with all its subsidiaries residing in Denmark. The tax effect of joint taxation is allocated to profit or loss in the consolidated entities in proportion to their taxable incomes. The jointly taxed entities are included in the Danish tax prepayment scheme.

Provisions for deferred tax on any temporary differences between the tax base of assets and liabilities and their carrying amounts are measured using the balance-sheet liability method. If a temporary difference is negative, a deferred tax asset will be recognised if, in all probability, it can be applied to reduce any future tax liability.

Any deferred tax is measured in compliance with current tax rules and at the tax rate likely to be applicable once any temporary differences have been eliminated. Any deferred tax assets or liabilities are presented after offsetting in the same legal entity.

INCOME STATEMENT

Interest, dividends, fees and commissions

Interest, fees and commissions are accrued and recorded in the period they are earned and recognised in the income statement at the amounts relevant to the period under review.

Commissions and fees etc., which are an integral part of the effective interest rate, are recognised as part of amortised cost. Commissions and fees etc., which are considered an integral part of the effective interest rate, are accrued and recognised over the term to maturity.

Dividends are recognised in the income statement at the time of declaration or on the distribution of interim dividends.

NOTES

Note 1 cont.

Performance-related investment management fees/carried interest are recorded as income at the time when the company will be entitled to such fees. Until entitlement, such fees are mentioned under “Contingent assets”.

Fees and commissions received will include income from services vis-à-vis clients.

Market value adjustments

Any differences between the fair values and the carrying amounts of securities are recognised as market value adjustments.

Other operating income

Other operating income includes items of a nature secondary to the company’s core activity, including fees from entities for which we carry out administrative tasks. Other operating income is accrued when earned and recognised in the income statement at the amounts relevant to the period under review.

Staff costs and administrative expenses

Staff costs and administrative expenses include wages, salaries, pensions and social costs, rent, IT costs, legal and audit fees and other administrative expenses. Costs relating to benefits and other payments payable to employees, including holiday pay, etc. are recognised in step with our employees performing the work entitling them to such benefits and other payments.

Results of interests in associated companies and group enterprises

The proportionate shares of net profits or losses for the reporting period in associated companies and group enterprises are recognised as results of interests in associated companies and group enterprises.

BALANCE SHEET

ASSETS

Receivables from credit institutions and central banks

On initial recognition, receivables from credit institutions and central banks are recognised at their fair values and subsequently at amortised cost.

Loans and receivables

Loans and receivables are recognised at amortised cost. Loans and receivables are not held for trading purposes and only include loans where the borrower has no contractual right to repay the loan with tradable bonds issued by the company.

Loans in respect of which there are objective indications of impairment are written down, if the book value exceeds the present value of any estimated future cash flows attaching to the loan.

Securities

Securities are recognised at their fair values. The fair values of listed securities are their closing rates on the balance sheet date. The fair values of listed bonds are their present values. The fair values of unlisted investments are the transaction prices that would result from a trade between independent parties. The fair values of interests in private equity funds are computed at the fair values of the underlying investments in compliance with the International Private Equity and Venture Capital Valuation Guidelines drawn up by the IPEV Board. The settlement date is used as the date of recognition. Any change in value between the trade date and the settlement date is recognised as a financial asset or a financial liability.

Interests in associated companies and group enterprises

Interests in associated companies and group enterprises are recognised and measured using the equity method. The proportionate interests in the equity values of associated companies or group enterprises computed on the basis of the fair values of identifiable net assets at the time of acquisition are recognised in “Interests in associated companies and group enterprises”.

NOTES

Note 1 cont.

Intangible assets are measured at cost with the deduction of accumulated depreciation charges.

Development projects are amortised over their estimated useful lives, estimated at 36 months.

Through the distribution of profit, the total net revaluation of interests in associated companies and group enterprises is transferred to the reserve fund for net revaluation using the equity method and recognised in statutory equity reserves. Reserves are reduced by payments of dividends to the parent and adjusted for other movements in the equity capital of subsidiaries.

On the translation of the results of foreign entities, any foreign currency translation adjustments are recognised in other comprehensive income.

Amortisation is recognised in the income statement under results from interests in associated companies and group enterprises.

Intangible assets

Our intangible assets consist of a trading system, a portfolio management system, computer software, and the value of an acquired client portfolio. Intangible assets are measured at cost with the deduction of any amortisation or impairment losses. These assets are amortised on a straight-line basis over their estimated useful lives or over the relevant contractual periods:

- Trading system	: 60-90 months
- Software and portfolio management system	: 24-36 months
- Client portfolio	: 36 months

Other tangible assets

Other tangible assets are measured at cost with the deduction of any depreciation or impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives:

- Computer equipment	: 36 months
- Furnitures, fixtures and equipment	: 36 months

Recoverable amounts

The carrying amounts of intangible assets and other tangible assets are reviewed annually to determine whether there is an indication for impairment in addition to any depreciation or amortisation charges. If so, an impairment test will determine whether the recoverable amount is lower than the carrying amount, and the asset will subsequently be recorded at the lower recoverable amount. The recoverable amount of an asset is calculated as the higher of its net selling price or its value in use.

Other assets

Income falling due after year-end and any interest receivable will be recognised in other assets. Any significant amounts receivable and falling due more than 12 months after the period in which they were earned are discounted at their present values on the balance sheet date. The discounting rate used matches the market rate of return of the particular amounts receivable.

Any positive fair values of derivatives including spot transactions are recognised in other assets.

Prepaid expenses

Prepaid expenses incurred on or before the balance sheet date, but concerning subsequent reporting periods are recorded as prepayments. Prepaid expenses are measured at cost.

NOTES

Note 1 cont.

LIABILITIES

Deposits

Deposits include debts to private people and counterparties, not being credit institutions and central banks, including ordinary demand deposits and special deposits. On initial recognition, deposits are recognised at their fair values and subsequently at amortised cost.

Debts to credit institutions

On initial recognition, debts to credit institutions are measured at their fair values and subsequently at amortised cost.

Other liabilities

Other liabilities are measured at their net realisable values.

Expenses falling due after year-end and any interest payable are recorded in other liabilities. Any negative fair values of derivatives including spot transactions are recognised in other liabilities.

Accrued income

Income received on or before the balance sheet date, but concerning subsequent reporting periods are recorded as accrued income. Accrued income is measured at cost.

Provisions

A provision is a liability that is uncertain in terms of amount or timing. A provision is recognised in the balance sheet, if, in all probability, future economic benefits will flow out of the company, and the value of such provision can be reliably measured.

The values of any future liabilities are measured at their present values to the extent that the discounting of such liabilities is of significance to the measurement of the size of the particular provision. The discount rate used matches the market rate of return in respect of the liability in question.

Shareholders' equity

Premiums in respect of issued options or warrants and any redemption of options or warrants in respect of corporate shares are recognised in other reserves as movements in equity.

Any obligation to buy back shares in the event of an employee leaving the company's employment is deducted from equity and recorded as debt in other liabilities. The debt is computed at the amount of shares that the company is obliged to buy back in compliance with the shareholders' agreement duly considering the capital requirements of the group and the company.

Any purchases or sale of own shares are recognised directly at the transaction value and recognised as a change directly in equity via "Other reserves".

Any proposed dividends are recognised as a liability at the time of adoption at the annual general meeting (time of declaration). Dividends to be paid for the period under review will be recorded as a separate item in shareholders' equity.

NOTES

Note 2 Financial highlights - group (5-year overview)

INCOME STATEMENT

DKK thousand	2017	2016	2015	2014	2013
Net interest and fee income	406,316	423,517	292,506	291,956	327,014
Market value and currency translation adjustments	45,456	14,509	21,645	8,883	6,380
Staff costs and administrative expenses	(208,994)	(208,492)	(211,862)	(175,615)	(158,004)
Results of interests in associated companies and group enterprises	(5,333)	-	-	-	-
Net profit for the year	190,924	180,004	81,832	100,374	139,699

BALANCE SHEET

Loans	3,366	3,366	866	915	-
Shareholders' equity	424,201	515,746	358,411	507,191	450,014
Total assets	691,600	798,370	593,751	659,524	605,471

RATIOS AND KEY FIGURES

Return on equity before tax	52.2%	53.4%	24.8%	27.9%	52.2%
Return on equity after tax	40.6%	41.2%	18.9%	21.0%	39.3%
Cost/income ratio	2.13	2.08	1.49	1.75	2.15
Cost in % of income	46.9%	48.0%	67.0%	57.2%	46.5%
Tier 1 capital ratio	31.1%	28.8%	36.1%	43.8%	48.7%
Capital ratio	31.1%	28.8%	36.1%	43.8%	48.7%
Own funds in relation to minimum capital requirements	3.9	3.6	4.5	5.5	6.1

Ratios and key figures were drawn up in accordance with the definitions of the Danish Financial Supervisory Authority (FSA).

NOTES

Note 2 Financial highlights - parent (5-year overview)

INCOME STATEMENT

DKK thousand	2017	2016	2015	2014	2013
Net interest and fee income	3,528	3,663	1,672	2,862	1,699
Market value and currency translation adjustments	39,681	9,624	14,399	(2,421)	(118)
Staff costs and administrative expenses	(12,932)	(18,648)	(21,618)	(18,272)	(13,127)
Results of interests in associated companies and group enterprises	155,805	177,505	78,392	106,718	137,773
Net profit for the year	190,924	180,004	81,832	100,374	139,697

BALANCE SHEET

Loans	3,366	3,366	866	915	-
Shareholders' equity	424,201	515,746	358,411	507,149	449,971
Total assets	560,538	615,643	469,911	531,069	471,642

RATIOS AND KEY FIGURES

Return on equity before tax	42.6%	41.7%	19.2%	20.6%	39.2%
Return on equity after tax	40.6%	41.2%	18.9%	21.0%	39.3%
Cost/income ratio	16.42	10.77	4.66	6.37	11.46
Cost in % of income	6.1%	9.3%	21.4%	15.7%	8.7%
Tier 1 capital ratio	49.9%	40.9%	64.9%	79.8%	90.8%
Capital ratio	49.9%	40.9%	64.9%	79.8%	90.8%
Own funds in relation to minimum capital requirements	6.2	5.1	8.1	10.0	11.3

Ratios and key figures were drawn up in accordance with the definitions of the Danish Financial Supervisory Authority (FSA).

NOTES

DKK thousand	Group		Parent	
	2017	2016	2017	2016
Note 3 Interest income				
Due from credit institutions	83	132	17	43
Bonds	2,181	2,793	419	631
Derivatives (foreign exchange contracts)	(73)	(13)	(14)	0
Other interest income	1,180	661	862	517
Total interest income	3,371	3,573	1,283	1,191
Note 4 Interest expense				
Credit institutions	(1,928)	(1,594)	(1,040)	(1,010)
Other interest expense	(81)	(190)	(20)	(57)
Total interest expense	(2,009)	(1,783)	(1,060)	(1,067)
Note 5 Market value and currency translation adjustments				
Bonds	(161)	(274)	1,008	(742)
Equities etc.	46,915	14,618	39,829	9,775
Currency	(1,056)	109	(1,157)	591
Derivatives	(242)	57	-	-
Total market value and currency translation adjustments	45,456	14,509	39,681	9,624
Note 6 Net interest, fee income and market value and currency translation adjustments by business area				
Net interest and fee income				
Asset Management	232,172	174,493	-	-
Equity	164,256	239,956	69	449
Treasury	4,423	4,929	3,459	3,214
Maj Bank	5,465	4,139	-	-
Total net interest and fee income	406,316	423,517	3,528	3,663
Market value and currency translation adjustments				
Asset Management	6,766	4,651	-	-
Equity	(226)	(99)	-	-
Treasury	38,916	9,957	39,681	9,624
Total market value and currency translation adjustments	45,456	14,509	39,681	9,624
Note 7 Geographical segmentation				
Net interest and fee income				
Denmark	369,536	411,460	1,691	2,938
Other Europe	24,820	9,966	-	-
Asia	1,852	826	1,837	725
North America	2,401	529	-	-
South America	(5)	(6)	-	-
Oceania	7,713	742	-	-
Total net interest and fee income	406,316	423,517	3,528	3,663

NOTES

Note 7 cont.

DKK thousand	Group		Parent	
	2017	2016	2017	2016
Market value and currency translation adjustments				
Denmark	48,147	13,907	42,059	9,043
Other Europe	(242)	(53)	-	-
Asia	(2,398)	1,733	(2,378)	581
North America	-	(1,034)	-	-
South America	(51)	(44)	-	-
Total market value and currency translation adjustments	45,456	14,509	39,681	9,624
Note 8 Staff costs and administrative expenses				
Directors:				
Directors, fixed remuneration	(1,725)	(1,710)	(450)	(446)
Directors, variable remuneration	-	-	-	-
Total	(1,725)	(1,710)	(450)	(446)
Executive board:				
Executive board, fixed remuneration	(16,037)	(15,973)	(2,406)	(5,294)
Executive board, variable remuneration	(300)	(300)	(45)	(95)
Total	(16,337)	(16,273)	(2,451)	(5,389)
Other significant risk takers:				
Risk takers, fixed remuneration	(28,336)	(27,702)	(651)	-
Risk takers, variable remuneration	(1,350)	(1,150)	(60)	-
Total	(29,686)	(28,852)	(711)	-
Staff costs:				
Salaries	(81,129)	(77,110)	(5,809)	(8,739)
Pensions	(7,322)	(6,687)	(641)	(772)
Social security costs and payroll tax based on Financial Services Payroll Tax Act	(16,109)	(15,052)	(36)	(42)
Total	(104,559)	(98,850)	(6,485)	(9,552)
Other administrative expenses	(56,687)	(62,807)	(2,834)	(3,261)
Total staff costs and administrative expenses	(208,994)	(208,492)	(12,932)	(18,648)

Number of: Board of directors 7 (2016: 7), executive board 3 (2016: 3). Other significant risk takers group 17 (2016: 19), parent 2 (2016: 1).

In the parent, the number of employees whose activities have a material influence on the group's risk profile (risk takers) was one person in 2016, and disclosing other significant risk takers' remunerations would involve the disclosure of this particular person's individual remuneration. Consequently, such remuneration has not been disclosed for the parent in 2016.

Director's fee paid to retired board member Klaus Bentin in 2017 amounted to DKK 50 thousand, and at group level totalled DKK 175 thousand. Director's fee paid to retired board member Ken Bamberg Ernstsen in 2017 amounted to DKK 50 thousand, and at group level totalled DKK 175 thousand.

NOTES

Note 8 cont.

Executive board members' investment commitment/employment contracts involving performance bonus or carried interest.

2017	Jeppe Christiansen		Erik Holm		Henrik Parkhøi	
- = No commitment or not included + = Included in scheme	Performance bonus	Carried interest	Performance bonus	Carried interest	Performance bonus	Carried interest
LD Equity 1 K/S	-	-	-	-	-	-
LD Equity 2 K/S	+	-	+	-	-	-
LD Equity 3 K/S	+	-	+	-	+	-
Maj Invest Equity 4 K/S	-	+	-	+	-	-
Maj Invest Equity 5 K/S	-	+	-	+	-	-
Maj Invest Equity Vietnam I K/S	-	+	-	+	-	+
Danish Microfinance Partners K/S	-	-	-	-	-	-
Maj Invest Equity Southeast Asia II K/S	-	+	-	+	-	-
Maj Invest Financial Inclusion Fund II K/S	-	+	-	+	-	+

Executive board members' investment commitment/employment contracts involving performance bonus or carried interest.

2016	Jeppe Christiansen		Erik Holm		Henrik Parkhøi	
- = No commitment or not included + = Included in scheme	Performance bonus	Carried interest	Performance bonus	Carried interest	Performance bonus	Carried interest
LD Equity 1 K/S	-	-	-	-	-	-
LD Equity 2 K/S	+	-	+	-	-	-
LD Equity 3 K/S	+	-	+	-	+	-
Maj Invest Equity 4 K/S	-	+	-	+	-	-
Maj Invest Equity 5 K/S	-	+	-	+	-	-
Maj Invest Equity Vietnam I K/S	-	+	-	+	-	+
Danish Microfinance Partners K/S	-	-	-	-	-	-
Maj Invest Equity Southeast Asia II K/S	-	+	-	+	-	-
Maj Invest Financial Inclusion Fund II K/S	-	+	-	+	-	+

NOTES

Note 8 cont.

DKK thousand	Group		Parent	
	2017	2016	2017	2016
Number of employees				
Average number of employees (full-time equivalent)	107	105	9	10
Auditors appointed by the general meeting, fees				
Statutory audit of financial statements	(812)	(728)	(102)	(100)
Other assurance services	(247)	(234)	(16)	(15)
Tax advisory services	(48)	-	-	-
Non-audit services	(178)	(501)	(96)	-
Total audit and non-audit fees	(1,285)	(1,463)	(214)	(115)
Note 9 Loan impairment charges				
Individual impairment charges for the year	(0)	-	(0)	-
Reversal of individual impairment charges from prior years	-	61	-	61
Loan impairment charges, total	(0)	61	(0)	61
Note 10 Tax				
Tax on profit for the year	(56,293)	(53,538)	(9,978)	(2,183)
Adjustment of prior-year tax charges	1,215	(370)	580	-
Adjustment of deferred tax	780	443	1	(23)
Total tax	(54,298)	(53,465)	(9,397)	(2,205)
Effective tax rate				
Current tax rate	22.0%	22.0%	22.0%	22.0%
Adjustment of non-taxable items	0.1%	0.5%	0.1%	0.6%
Adjustment of results of interests in associated companies and group enterprises	-	-	(17.1%)	(21.4%)
Adjustment of prior-year tax charges	(0.3%)	0.0%	(0.3%)	-
Tax rate adjustments regarding international subsidiaries	0.0%	0.0%	-	-
Total effective tax rate	21.8%	22.5%	4.7%	1.2%

Deferred tax relates to intangible and other tangible assets.

There is no provision for deferred tax in respect of interests in associated companies and group enterprises.

NOTES

DKK thousand	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Note 11 Due from credit institutions				
Demand deposits	153,897	294,946	5,252	30,907
Due from credit institutions, total	153,897	294,946	5,252	30,907
Note 12 Loans				
By current maturity				
Over 3 months and up to 1 year	2,000	866	2,000	866
Over 1 year and up to 5 years	1,366	2,500	1,366	2,500
Total loans	3,366	3,366	3,366	3,366
Note 13 Bonds at fair value				
Other mortgage bonds	200,024	212,883	822	1,484
Other bonds	18,401	39,348	5,096	5,810
Bonds at fair value, total	218,425	252,231	5,918	7,293
At year-end 2017, the group had provided bonds at a market value of DKK 35.0 million (2016: DKK 35.8 million) in security of trading in derivatives and securities.				
Interest rate risk	1,562	2,295	151	261
Note 14 Equities etc. at fair value				
Equities/mutual funds listed at				
Nasdaq OMX Copenhagen A/S	78,580	37,531	69,015	28,682
Unlisted equities at fair value	89,417	57,604	85,160	53,240
Total equities etc. at fair value	167,997	95,135	154,176	81,922
Note 15 Interests in associated companies				
Total acquisition sum at 1 January	-	-	-	-
Additions	39,531	-	39,531	-
Total acquisition cost at 31 December	39,531	-	39,531	-
Revaluations at 1 January	-	-	-	-
Profit for the year	(1,312)	-	(1,312)	-
Revaluations for the year	(4,021)	-	(4,021)	-
Revaluations at 31 December	(5,333)	-	(5,333)	-
Carrying amount at 31 December	34,198	-	34,198	-
Carrying amount at 1 January	-	-	-	-

NOTES

DKK thousand	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Note 16 Interests in group enterprises				
Total acquisition sum at 1 January	-	-	207,783	199,783
Additions	-	-	553	8,000
Total acquisition sum at 31 December	-	-	208,336	207,783
Revaluations at 1 January	-	-	278,950	168,908
Foreign currency translation	-	-	(292)	37
Profit for the year	-	-	161,138	177,505
Dividend	-	-	(293,000)	(67,500)
Revaluations at 31 December	-	-	146,795	278,950
Carrying amount at 31 December	-	-	355,132	486,733
Carrying amount at 1 January	-	-	486,733	368,691
Note 17 Intangible assets				
Total cost at 1 January	22,179	18,397	118	-
Additions	2,115	3,782	18	118
Total acquisition sum at 31 December	24,294	22,179	136	118
Amortisation and impairment charges at 1 January	(11,980)	(6,660)	(36)	-
Amortisation charges for the year	(5,960)	(5,320)	(42)	(36)
Amortisation and impairment charges at 31 December	(17,941)	(11,980)	(78)	(36)
Carrying amount at 31 December	6,354	10,199	58	82
Carrying amount at 1 January	10,199	11,737	82	-
Note 18 Other tangible assets				
Total cost at 1 January	16,423	14,383	927	927
Additions	1,753	2,261	-	-
Disposals	(128)	(221)	-	-
Total cost at 31 December	18,048	16,423	927	927
Depreciation and impairment charges at 1 January	(11,963)	(10,463)	(908)	(885)
Depreciation charges for the year	(2,016)	(1,673)	(16)	(23)
Reversals of depreciation charges	3	173	-	-
Depreciation and impairment charges at 31 December	(13,975)	(11,963)	(923)	(908)
Carrying amount at 31 December	4,073	4,460	4	19
Carrying amount at 1 January	4,460	3,920	19	42

NOTES

DKK thousand	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Note 19 Other assets				
Various debtors	51,876	75,017	433	3,317
Positive fair value of derivatives etc.	48	353	-	-
Interest due	1,571	1,488	534	374
Other assets	1,185	1,429	1,008	960
Other assets, total	54,680	78,287	1,974	4,651

Various debtors include accounts

with group enterprises worth	-	-	175	3,317
------------------------------	---	---	-----	-------

Note 20 Contingent assets

Fondsmæglerselskabet Maj Invest A/S and Maj Invest Equity A/S have made a number of investment management agreements involving payment of a performance-based management fee/carried interest. This means that if a return exceeds an agreed level, the companies will earn a share of such return by way of a performance-based management fee/carried interest. Such fees are typically computed on a quarterly basis and may also fall due for quarterly payment. However, the payment of such fees cannot exceed the fee to which the companies are certain to be entitled.

At 31 December 2017 our performance-based fee/carried interest, to which the company is not yet entitled, amounted to approx. DKK 70 million (at 31 December 2016: DKK 95 million) after provisions.

Note 21 Due to credit institutions**By current maturity**

Up to 3 months	98,349	-	98,349	-
Over 3 months and up to 1 year	-	59,965	-	59,965
Due to credit institutions, total	98,349	59,965	98,349	59,965

Note 22 Deposits**By current maturity**

Demand deposits	18,973	46,288	-	-
Up to 3 months	1,343	442	-	-
Over 3 months and up to 1 year	562	13	-	-
Over 1 year and up to 5 years	6,453	662	-	-
Over 5 years	10,139	14,291	-	-
Deposits, total	37,469	61,696	-	-

By type of deposits

Demand deposits	18,973	46,288	-	-
Special forms of deposits	18,496	15,408	-	-
Deposits, total	37,469	61,696	-	-

NOTES

DKK thousand	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Note 23 Other liabilities				
Various creditors	37,466	61,927	9,061	18,509
Negative fair values of derivatives etc.	19	353	-	-
Accrued interest and commissions	47	408	47	265
Buyback obligation, own shares	15,000	15,000	15,000	15,000
Other liabilities	41,162	40,506	3,666	2,534
Other liabilities, total	93,694	118,194	27,775	36,308

Various creditors include accounts with group enterprises worth	-	-	21	-
---	---	---	----	---

Note 24 Other provisions

Other provisions concern bonuses relating to performance-based management fees/carried interest recognised in the income statement.

Note 25 Guarantees and contingent liabilities

Guarantees etc.:

Other guarantees (participation in the Danish Guarantee

Fund for Depositors (Indskydergarantifonden)	759	596	-	-
Total guarantees etc.	759	596	-	-

Other contingent liabilities:

Other liabilities (commitment to invest in capital funds)	70,676	90,114	70,352	89,717
Other contingent liabilities, total	70,676	90,114	70,352	89,717

Other binding agreements

Maj Invest Holding A/S has entered a tenancy agreement for the premises Gammeltorv 18 of which the company pays a share. The agreement is terminable at six months' notice by either party. The landlord cannot terminate the tenancy until 1 October 2021.

A group company has entered a tenancy agreement for the premises Dronningens Tværgade 7, 1st floor, Copenhagen. The agreement is terminable at six months' notice by either party. The landlord cannot terminate the tenancy until 28 February 2020.

The group has entered into IT related obligations, which in the non-terminable period are:

In year one	964	1,211	-	-
Between one and five years	500	1,402	-	-
Total	1,463	2,613	-	-

The company is jointly registered concerning VAT and payroll tax payable under the Danish Financial Services Payroll Tax Act with Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S and jointly liable for any payments in respect thereof. The company is also jointly taxable with all group entities residing in Denmark. Being the administration company, we are jointly and severally liable with the other entities in the joint taxation scheme in respect of Danish corporation tax and withholding taxes on dividends, interest income and royalties. For 2017 the jointly taxed entities have a current tax receivable of DKK 4,992 thousand (31 December 2016: tax liability of DKK 2,040 thousand).

NOTES

DKK thousand	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Note 26 Own funds				
Shareholders' equity	424,201	515,746	424,201	515,746
Total tier 1 capital before primary deductions	424,201	515,746	424,201	515,746
Primary deductions				
Proposed dividend	(58,160)	(222,645)	(58,160)	(222,645)
Unused limits for own share purchase	(4,536)	-	(4,536)	-
Intangible assets	(6,354)	(10,199)	(58)	(82)
Deferred capitalised tax assets	(9)	(8)	(9)	(8)
Valuation based on prudence	(421)	(293)	(549)	(40)
Tier 1 capital instruments in the financial sector	(25,189)	-	(4,709)	-
Total common equity tier 1 capital after primary deductions	329,532	282,600	356,180	292,971
Total eligible capital	329,532	282,600	356,180	292,971

DKK thousand	Company activity	Equity interest	Shareholders' equity	Profit after tax
Note 27 Group overview				
Consolidated subsidiaries				
Fondsmæglerselskabet Maj Invest A/S, Copenhagen	Asset management company	100%	253,297	153,718
Maj Invest Equity A/S, Copenhagen	Alternative investment fund manager	100%	30,836	16,833
Danish Microfinance Partners Management ApS, Copenhagen	Private equity management	100%	204	6
Maj Bank A/S, Copenhagen	Bank	100%	68,101	(9,330)
Maj Invest Singapore Private Limited, Singapore	Consulting company	100%	35	49
Management Equity Vietnam I ApS, Copenhagen	Private equity management	100%	422	11
Maj Invest South America S.A., Lima, Peru	Consulting company	100%	754	(130)
Maj Invest Vietnam Management Consultancy LLC, Ho Chi Minh City, Vietnam	Consulting company	100%	1,483	(22)

NOTES

Note 27 cont.

Shareholders' equity and results are based on the companies' most recently approved annual reports. The equity and results of foreign subsidiaries are based on non-audited financial statements. Subsidiaries of consolidated subsidiaries are not included in the group overview but their results are included in the results of the consolidated subsidiaries, cf. the Danish Executive Order on the Preparation of Financial Statements.

For a full group overview, please see the group chart in the management's review on page 17.

DKK thousand	Revenue	Full-time staff	Profit before tax	Tax
Geographical breakdown of subsidiaries				
Denmark	422,553	96	205,968	44,730
Vietnam	3,974	4	126	148
Peru	2,752	3	(129)	1
Singapore	4,186	4	59	10

No group enterprises have received subsidies in the financial reporting period except from an energy efficiency subsidy of DKK 154 thousand.

Note 28 Related parties and ownership

Other related parties

Related parties include the members of our board of directors and our executive board and their related family members. Related parties also comprise companies in which the persons mentioned above hold significant interests.

One director and the executive board members participate as special limited partners on equal terms with any other special limited partners in one or more private equity funds under the group's management.

Two directors, the executive board and a family member that is related party to one of the executive board members are clients of the subsidiary Maj Bank A/S. Except for a small advisory fee applicable to the bank's clients, transactions with the above-mentioned group of related parties are made on market terms and in accordance with current business conditions. Other related parties are clients on market terms.

All directors and executive board members and/or companies that are considered related parties to such directors or executive board members hold shares in Maj Invest Holding A/S.

The group has not raised any loans, mortgage credits or charges, or any other form of guarantee or security on behalf of any members of the executive board or the board of directors, any related family members of such members, or companies in which such members have significant interests.

In 2017 there were no extraordinary transactions with related parties.

Ownership

In compliance with the Danish Companies Act, sections 55 and 56, the following shareholders have been entered in the company's register of shareholders as holding minimum 5 per cent of the company capital or minimum 5 per cent of the voting rights:

Maj Invest Holding A/S, 1457 Copenhagen K
 EMLIKA ApS, 2830 Virum
 Erik Holm Holding ApS, 2900 Hellerup
 Managing Director Henrik Parkhøi, Ellevadsvej 35, 2920 Charlottenlund
 Lind Invest ApS, 8000 Århus C

NOTES

Note 29 Financial instruments and risks

Objectives and risk policies

The board of directors has provided guidelines in respect of the types of risk that the group may be exposed to. These guidelines include identification, management, control and reporting of risks. The guidelines are supported by a number of routines, and in the subsidiaries Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S also by a number of business procedures. Moreover the directors of Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S have in addition formulated corporate policies relevant to the companies relating to market risks, liquidity, credit, insurance cover of risks, and operational risks. Together with the corporate policies established by the subsidiaries Fondsmæglerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S, the guidelines and procedures constitute the group's risk policy. Our risk policy includes a decentralised function identifying risks at various levels in the group enabling a current assessment of any consequences as well as ensuring that the group's capital and capital ratio requirements always comply with statutory requirements and identified risks.

To ensure efficient management of our risk policy, we have segregated the function in charge of business and the function responsible for managing and monitoring the various types of risk.

Market and liquidity risks

The group's market risks are related to our activities in Markets in the subsidiary Fondsmæglerselskabet Maj Invest A/S and to the group's surplus liquidity investments.

The directors have set up a general framework in respect of market risks.

The framework for investing consolidated liquidity is wide in areas where the risk is considered small and narrow in less liquid areas of investment and/or investments involving larger credit risks. The framework is used in combination with the positive lists drawn up by the directors as regards approved financial institutions and countries. Exposures outside these positive lists have a higher risk weighting and a lower investment frame than do exposures on the positive lists. This helps reduce the market risks and ensure that we have liquid assets in the form of a large holding of securities that are easily realisable.

Liquidity risks

The group's liquidity must always be sufficient. We have a framework determining the portion of consolidated liquidity that may be placed in fixed-term deposits and the maximum term.

The board of directors of the subsidiaries Fondsmæglerselskabet Maj Invest A/S and Maj Bank A/S have drawn up liquidity plans (contingency and emergency plans) for any liquidity crises.

These liquidity plans may also be applied at group level.

Interest rate risk

This risk is a result of the investments of consolidated liquidity in the form of deposits in financial service institutions and bond markets. The directors have set up a maximum framework in respect of our interest rate risk on bond portfolios and a total interest rate risk for the group as a whole. A very large portion of our investments are short-term investments. Interest rate risks are modest compared with shareholders' equity and our own funds.

Interest rate risks	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Interest rate risks (DKK thousand)	630	1,166	183	250
In % of year-end shareholders' equity	0.1%	0.2%	0.0%	0.0%
In % of year-end own funds	0.2%	0.4%	0.1%	0.1%

In the current management and monitoring of interest rate risks, we use a duration model based on the Danish FSA's guidelines.

Equity risks

The framework in respect of equity risks is limited by positions in single equities, types of equities, including mutual funds, and a total limit on equity exposures.

NOTES

Note 29 cont.

Via separate investment frameworks, the group can also invest in private equity products for which the group acts as investment advisor. This provides investors with a high degree of corporate commitment concerning the products we offer. The group's holdings of interests in listed Danish equities and mutual funds, foreign equities and mutual funds as well as unlisted investments are seen below.

31.12.2017	Group			Parent		
	DKK thousand	In % of year-end equity	In % of year-end own funds	DKK thousand	In % of year-end equity	In % of year-end own funds
Equities etc. at fair value						
Mutual fund units in the trading portfolio	9,565	2.3%	2.9%	-	-	-
Listed equities outside the trading portfolio	69,015	16.3%	20.9%	69,015	16.3%	19.4%
Unlisted equities	11,492	2.7%	3.5%	7,476	1.8%	2.1%
Associated companies	34,198	8.1%	10.4%	34,198	8.1%	9.6%
Holdings in private equity funds	77,925	18.4%	23.6%	77,684	18.3%	21.8%
Total equities etc. at fair value	202,195	47.7%	61.4%	188,374	44.4%	52.9%

31.12.2016	Group			Parent		
	DKK thousand	In % of year-end equity	In % of year-end own funds	DKK thousand	In % of year-end equity	In % of year-end own funds
Equities etc. at fair value						
Mutual fund units in the trading portfolio	8,849	1.7%	3.1%	-	-	-
Listed equities outside the trading portfolio	28,682	5.6%	10.1%	28,682	5.6%	9.8%
Unlisted equities	11,382	2.2%	4.0%	7,216	1.4%	2.5%
Associated companies	-	-	-	-	-	-
Holdings in private equity funds	46,222	9.0%	16.4%	46,024	8.9%	15.7%
Total equities etc. at fair value	95,135	18.4%	33.7%	81,922	15.9%	28.0%

Currency risk

Currency risks relate to our liquidity investments in securities and increasingly to the group's activities abroad as a consequence of the international strategy defined with a view to selling selected products to international clients.

Forward exchange contracts are used for hedging of certain positions.

We have a moderate framework for unhedged foreign exchange positions, and a framework for currency positions combined with foreign exchange hedging. This provides an upper limit for currency positions even if risks are hedged.

As a result of the Danish fixed rate policy vis-a-vis the euro, we do not have any framework as regards the euro.

The group's currency risk is limited and shown in the table on the following page.

NOTES

Note 29 cont.

Currency risks	Group		Parent	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Currency risks (DKK thousand)*	4,009	3,412	3,196	2,876
In % of year-end shareholders' equity	0.9%	0.7%	0.8%	0.6%
In % of year-end own funds	1.2%	1.2%	0.9%	1.0%

*Change of 2.25% for EUR and 12% for other currencies.

Counterparty risk

The corporate securities brokers in Fondsmæglerselskabet Maj Invest A/S trade daily on behalf of our clients and for our own portfolios. Our counterparties are therefore other securities brokers or market participants and/or clients. Transactions in Markets are exclusively spot transactions. Trade in listed derivatives is limited and exclusively for hedging of our own positions.

Maj Bank A/S provides investment advice and facilitates transactions on behalf of its clients. No transactions are made on its own account. Client transactions are settled as commission transactions through a business partner via the client's online banking account. The company has no trading portfolio.

Credit risk

The group's credit risks primarily concern receivables from clients and market and liquidity-related transactions. Our credit risks are subject to a framework given by the board of directors. The size of our credit risk framework is lower than the framework allowed by law both as regards individual transactions and the group's overall credit exposure.

Our clients are institutional investors and financially solid clients. Many of our clients pay in advance, and clients that do not are regulated by fixed and short intervals. Our credit risk in respect of clients is considered insignificant.

The framework for the group's market and liquidity-related transactions is set up so that it is wider where the risk is considered smallest and narrower for less liquid investments and/or investments involving higher credit risk. The directors have drawn up positive lists of approved financial institutions and countries for investment in money and bond markets. The framework is restricted in respect of exposures with financial counterparties that are not on the positive lists.

As part of the group's Treasury activities, the group has to a limited extent provided loans for companies which the group has invested in, or which can be converted into shares in the companies.

Reporting and monitoring of risks

The group's financial positions are recorded in a trading system for activities in Markets in Fondsmæglerselskabet Maj Invest A/S and a standard portfolio system for our own positions not related to our trading activities in Markets.

We have invested substantial resources in computer systems for the management and identification of risks in order to currently monitor and control such risks.

Accounting & Risk Management and Middle Office have online access to our trading system and are able to see all transactions and positions in the system. The trading and finance systems are integrated, the latter being responsible for bookkeeping of transactions.

Middle Office administers a portfolio management system, which includes transactions and positions in respect of our own portfolio activities not associated with Markets.

NOTES

Note 29 cont.

Control, reconciliation and bookkeeping are made on a day-to-day basis in both computer systems and checked against the company's finance system. Transactions are recorded and reconciled to the settled transactions and the group's custody accounts in external banks and bank accounts.

There are also regular checks of the prices of positions which the group has with external parties such as depository banks, stock exchanges or similar institutions.

Based on the risk management module of our trading system and withdrawals from accounts and custody accounts, a daily report is prepared showing earnings, positions, risks and utilisation of lines concerning the Markets activities of Fondsmæglerselskabet Maj Invest A/S. This report is submitted to Markets and the executive board of Fondsmæglerselskabet Maj Invest A/S.

Middle Office delivers currently reconciled data from the portfolio management system to Accounting & Risk Management, which monitors the corporate investment framework.

On the basis of data from the trading system, the portfolio management system and extracts from our finance system, Accounting & Risk Management currently reports to the executive board on the overall market, credit risks and liquidity. Directors receive reports once every three months.

STATEMENTS

STATEMENTS BY MANAGEMENT

The board of directors and the executive board have today considered and approved the annual report for Maj Invest Holding A/S for the period 1 January 2017 - 31 December 2017.

The board of directors and the executive board hereby declare that we are of the opinion that:

- The consolidated financial statements have been prepared in accordance with the Danish Financial Business Act.
- The financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position at 31 December 2017 and of the results of the parent's and the group's activities for the 2017 financial year.
- The management's review includes a fair report of developments in the parent's and the group's activities and financial position and describes the significant risks and any uncertainty factors that may affect the parent or the group.

The annual report will be submitted to the general meeting for approval.

Copenhagen, 8 March 2018

EXECUTIVE BOARD

Jeppe Christiansen
CEO

Erik Holm
Managing Director

Henrik Parkhøj
Managing Director

BOARD OF DIRECTORS

Tommy Pedersen
Chairman

Henrik Andersen

Nils Bernstein

Ruth Schade

Tomas Munksgard Hoff

Søren Krag Jacobsen

Anders Møller Olesen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maj Invest Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Maj Invest Holding A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Business 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 and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Business 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 8 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Ole Karstensen
State Authorised
Public Accountant
mne16615

THIS PAGE INTENTIONALLY LEFT BLANK





MAJ INVEST

MAJ INVEST HOLDING A/S

Gammeltorv 18

DK-1457 Copenhagen K

Phone +45 33 38 73 00

www.majinvest.com

CVR no. 28 29 54 80