



MAJ
INVEST

HOLDING

ANNUAL REPORT
2016



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IN THE EVENT OF ANY INCONSISTENCIES BETWEEN THE DANISH AND THE ENGLISH VERSIONS OF MAJ INVEST HOLDING'S ANNUAL REPORT 2016, THE DANISH VERSION SHALL PREVAIL.

MANAGEMENT'S REVIEW

COMPANY INFORMATION

MAJ INVEST HOLDING A/S

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AUDITORS

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

BOARD OF DIRECTORS

Tommy Pedersen, Chairman
Henrik Andersen
Nils Bernstein
Ruth Schade
Klaus Bentin (elected by staff)
Ken Bamberg Ernstsens (elected by staff)
Tomas Munksgard Hoff (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	2016	2015	2014	2013	2012
Total gross income	449,193	326,059	311,334	347,061	263,580
- Net interest and fee income	423,517	292,506	291,956	327,014	238,555
- Market value and currency translation adjustments	14,509	21,645	8,883	6,380	9,063
- Other operating income	11,167	11,908	10,495	13,667	15,961
Staff costs and administrative expenses	(208,492)	(211,862)	(175,615)	(158,004)	(175,752)
Net profit for the year	180,004	81,832	100,374	139,699	63,480

BALANCE SHEET

Shareholders' equity	515,746	358,411	507,191	450,014	260,166
Total assets	798,370	593,751	659,524	605,471	513,419

RATIOS AND KEY FIGURES

Return on equity before tax	53.4%	24.8%	27.9%	52.2%	35.8%
Return on equity after tax	41.2%	18.9%	21.0%	39.3%	26.9%
Cost/income ratio	2.08	1.49	1.75	2.15	1.47
Cost in per cent of income	48.0%	67.0%	57.2%	46.5%	67.9%
Tier 1 capital ratio	28.8%	36.1%	43.8%	48.7%	37.3%
Capital ratio	28.8%	36.1%	43.8%	48.7%	48.5%
Own funds in relation to minimum capital requirements	3.6	4.5	5.5	6.1	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 2016

The volume of business also continued to grow in 2016 with an influx of new Danish and international investors and a huge expansion in assets under management. The results, our group's best to date, are highly satisfactory and significantly better than anticipated. The highlights are as follows:

- Net profit for the year after tax amounted to DKK 180.0 million at end-2016 against DKK 81.8 million in 2015. Profits were boosted by huge organic growth and a high level of performance fees.
- Shareholders' equity totalled DKK 515.7 million at year-end, and the return on equity after tax was 41.2 per cent in 2016.
- The group's own funds were DKK 282.6 million at the end of 2016. Our capital ratio of 28.8 per cent far exceeds the statutory requirement.
- Maj Invest Asset Management once again saw a sizeable increase in the number of clients. Assets under management rose by 34 per cent to DKK 58 billion at year-end 2016.
- Investeringsforeningen Maj Invest (mutual fund) continued its growth with a record inflow of almost DKK 4 billion, which contributed to an increase in assets of 29 per cent.
- Maj Invest Equity enjoyed a high level of activity in 2016 and provided advisory services in respect of the sale of eight companies and one new investment. Maj Invest Equity launched advisory services to a new private equity fund. This is the fifth fund investing in unlisted Danish equities to which Maj Invest Equity provides advisory services. Danish and international investors have shown great interest and at end-2016 their commitment amounted to DKK 2 billion.
- Maj Invest Equity International has acted as advisor to two microfinance funds on investments and the sale of a company. Advisory services were also provided to the two funds investing in Vietnam and Southeast Asia concerning investments and sale.



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

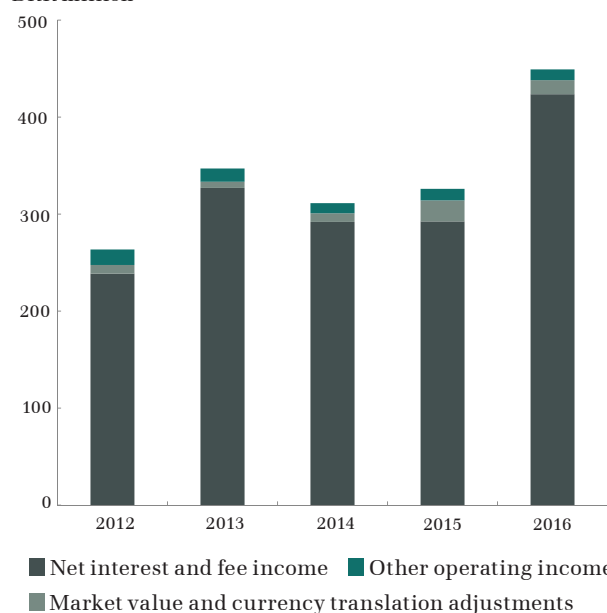
CORPORATE DEVELOPMENT SINCE OUR START IN 2005

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. We used to focus on Danish investors and clients, but an internationally defined strategy is beginning to show results, including an intake of clients from different parts of the world.

Setting up Maj Bank at the end of 2015 gave us an opportunity to serve private clients in connection with savings and investment activities in Denmark. We aim to develop these activities into an independent new business area complementing our Maj Invest Asset Management activity.

DEVELOPMENT IN GROSS REVENUE

DKK million

**MILESTONES****2016**

Private equity fund Maj Invest Equity 5 established

2014

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

2012

Private equity fund EFIF established

2010

Private equity fund Danish Microfinance Partners established

2008

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

2006

Private equity fund LD Equity 1 and Markets established

20 May 2005

Permit received from the Danish FSA. Fondsmæglerselskabet Maj Invest A/S established

2015

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

2013

The mutual fund Maj Invest Funds (Luxembourg) established

2011

Private equity fund Maj Invest Equity 4 established

2009

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

2007

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

2005

Private equity fund LD Equity 2 and Investeringsforeningen Maj Invest (mutual fund) established



DEVELOPMENT IN BUSINESS AREAS

INVESTMENT PHILOSOPHY

We focus on long-term value creation for our clients, because the short-term development is 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.

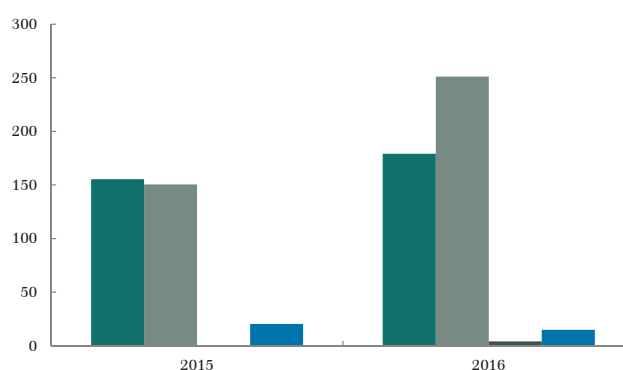
- Maj Invest Asset Management provides advisory services on asset allocation and asset management (listed securities). Our clients are institutional investors, *Investeringsforeningen Maj Invest* (mutual fund) in Denmark, and the mutual fund *Maj Invest Funds* in Luxembourg.
- Maj Invest *Formueforvaltning* (wealth management) provides advisory services on wealth management to wealthy clients, companies and funds.
- Maj Invest Investor Relations & Markets is responsible for stock exchange trading and prepares promotional products for financial institutions, as well as supplies distributors with information on *Investeringsforeningen Maj Invest* and *Maj Invest Funds*, which is a mutual fund based in Luxembourg. The department provides 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 investments in Vietnam and Southeast Asia, and the other two focus on investments in microfinance, financial infrastructure and microfinance institutions.

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

GROSS REVENUE

■ Asset Management ■ Equity
■ Bank ■ Treasury

DKK million



Total assets under management rose by 32 per cent in the period under review, at year-end constituting approximately DKK 65 billion. In 2016 the group employed an average of 105 employees.

MAJ INVEST ASSET MANAGEMENT

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

Our advisory function builds on a long-term strategy based on analyses 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 analyses of trends and themes in the financial markets.

Domiciled in Luxembourg with Maj Invest Asset Management as advisors, Maj Invest Funds has seen sound growth in assets under management. We have also entered into several new agreements with international investors on investment management worth several billion kroner.

Maj Invest Asset Management also experienced a large influx of Danish investors. Assets under management rose by DKK 15 billion in 2016, or an increase of 34 per cent. At year-end, Maj Invest Asset Management's total assets under management constituted DKK 58 billion.

INVESTERINGSFORENINGEN MAJ INVEST (MUTUAL FUND)

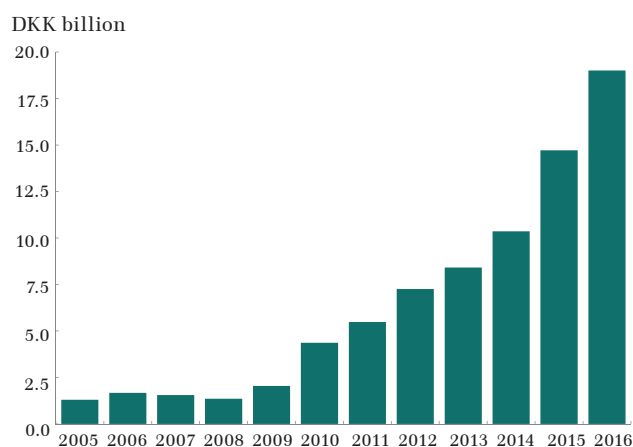
Maj Invest Asset Management acts as investment advisor to Investeringsforeningen Maj Invest, Denmark's largest independent mutual fund. Investeringsforeningen Maj Invest consists of twelve funds and has been offered to both private and professional investors for 11 years.

In 2016 the mutual fund fortified its position as an independent alternative to the banks' mutual funds by ensuring solid investment results. This together with net new sales increased the fund's assets by DKK 4.3 billion to DKK 19.0 billion. This excellent result was achieved despite the payment of dividends for 2016 amounting to DKK 1.6 billion.

With assets under management growing by 29 per cent, Investeringsforeningen Maj Invest also gained market share in 2016 as the total assets of the Danish retail market grew by 10 per cent, and the total market consisting of both the retail market and institutional investors increased by 6 per cent.

From the perspective of the funds' Morningstar Kategori™, the six original funds have outperformed benchmarks since the launch of the mutual fund at year-end

DEVELOPMENT IN ASSETS SINCE START



2005. Outperformance ranges between 11 percentage points in the fixed-income fund Maj Invest Danske Obligationer and 106 percentage points in the equity fund Maj Invest Value Aktier. Over a 5-year period, four of the six funds have outperformed benchmarks.

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

INVESTERINGSFORENINGEN MAJ INVEST - RETURNS IN PER CENT					PERFORMANCE COMPARED TO MORNINGSTAR KATEGORI™			
	Start date	Returns 2016	Returns since start	Performance compared to index	1 year	3 years	5 years	10 years
Danske Aktier	16 Dec. 2005	1.2	201.9	+21.5	-0.6	-11.1	-16.2	+1.0
Globale Aktier	16 Dec. 2005	7.5	103.7	+6.7	+1.5	-4.2	-8.0	+43.4
Value Aktier	16 Dec. 2005	14.3	173.8	+76.8	+8.2	+33.1	+45.6	+106.0
Value Aktier Akk.	29 Jun. 2015	14.2	10.8	+0.9	+8.1	-	-	-
Emerging Markets	16 Dec. 2013	8.2	7.2	-14.6	-3.4	-12.8	-	-
Global Sundhed ¹⁾	10 Nov. 2008	-0.1	66.0	-0.3	-	-	-	-
Danske Obligationer	16 Dec. 2005	3.6	59.4	+9.7	0.0	+1.1	+6.7	+11.2
Globale Obligationer	16 Dec. 2005	4.1	65.7	+16.0	+2.0	+5.9	+10.7	+32.6
High Income Obl.	30 Oct. 2015	7.0	6.7	-8.2	-6.9	-	-	-
Pension ²⁾	16 Dec. 2005	9.3	87.9	-	+6.9	+12.5	+20.6	+66.9
Kontra ^{1,2)}	11 Jun. 2006	5.2	78.6	-	-	-	-	-
Makro ²⁾	22 Mar. 2013	10.4	35.8	-	+8.9	+23.9	-	-

Notes:

1) The funds have no Morningstar Kategori™.

2) The funds have no index.

ANOTHER AWARD FOR MAJ INVEST DANSKE OBLIGATIONER (DANISH BONDS)

In March 2016 Maj Invest Danske Obligationer received its fourth Morningstar Fund Award. Morningstar honoured the Danish fund with the award for the best management of Danish bonds based on the past five years' results, with special emphasis on 2015. As its reason for granting the Morningstar Fund Award, Morningstar stated that good investment decisions accounted for about 60 per cent of the extra yields while low costs accounted for the remaining 40 per cent of the fund's additional yields. Maj Invest Danske Obligationer also received Morningstar Fund Awards in 2011, 2013 and 2014.

Eight of the funds date back three years or more in their fields of investment and are therefore rated by Morningstar. The funds with the highest risk-weighted returns and lowest costs attain 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 2016; the remaining three had four, two and one star(s), respectively.

Morningstar also qualitatively rates selected funds. Maj Invest Value Aktier (global value equities) was first rated in September 2016 and was given Bronze. 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 show 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 matching competitive products.

The objective is for each fund to offer high quality and achieve good results. Therefore, it is not satisfactory that two funds receive a rating below three stars. Overall, the rating places Investeringsforeningen Maj Invest as the second best mutual fund in Denmark at year-end 2016 when it comes to the average number of stars achieved. This is per se satisfactory. Investeringsforeningen Maj Invest was rated for the first time at year-end 2008, and for seven out of the nine years Investeringsforeningen Maj Invest has been the highest rated mutual fund on Morningstar's list at the end of the year.

MAJ INVEST FORMUEFORVALTNING

Maj Invest Formueforvaltning provides wealthy clients with advisory services concerning asset allocation and

INTERNATIONAL CLASS IN INVESTERINGSFORENINGEN MAJ INVEST

The global equity fund, Maj Invest Value Aktier, comes in number two among 680 comparable funds in Europe in terms of return since its launch at end-2005. The figures are from the Morningstar category Global Large-Cap Blend (equities). The fund is first among funds offering services to private individuals in Denmark.

Since its launch at the end of 2005, Maj Invest Pension has been number four in terms of returns of 376 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 private 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 second in their Morningstar categories among all European investment mutual funds and funds. Both funds are number one among funds providing services to private clients in Denmark.

Note: Return after deduction of costs from 1 January 2006 to 31 December 2016. Only funds with a track record covering the entire period are included.

Source: Morningstar Direct.

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 savings for clients.

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

In 2015 we acquired a client portfolio from OMNI Fondsmæglerselskab A/S. Given this acquisition and the recent years' increase in both clients and assets under management, our focus in 2016 was on consolidating and adjusting the acquired client portfolio to match the investment processes that characterise Maj Invest Formueforvaltning.

MAJ INVEST INVESTOR RELATIONS & MARKETS

Investor Relations handles group 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 contributed to gaining more international investors. Investor Relations has also actively contributed to expanding activities relating to Danish clients.

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

Maj Invest Markets offers professional advisory services building on many years of experience in investment consultancy and securities trading with a competitive price structure. We offer professional advice about equity investments based on the client's profile and requirements and underpinned by comprehensive material, superior professional qualifications and a high degree of service. We attach great importance to long-term client relations, making it our mission to collaborate with and create value for our clients.

Our clients have access to information and advisory material regarding developments in the financial markets. Our arrangements with large international investment banks also enable Maj Invest Markets to offer advisory

services on and trade in international equities. As part of our service we also provide information about the various funds of Investeringsforeningen Maj Invest.

Maj Invest Markets is market maker for all funds of Investeringsforeningen Maj Invest.

MAJ INVEST EQUITY

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. Moreover, large clients are offered discretionary arrangements and advisory services relating to investments.

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. Investment in minority shares, 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 recording revenues between 200 million and 1 billion Danish kroner. They are typically involved in industry, trade or the service sector with special emphasis on food, environment and energy, technology and brands. The mission of Maj Invest Equity is to expand 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 group of owners wishes to net a profit and take the company to the next level in cooperation with a dynamic partner. Basically, this demands 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. Enterprises 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).

2016 was an exceptionally good year for Maj Invest Equity with an extremely high level of activity and a continuing favourable interest in the portfolio companies. Successful advisory services provided in connection with the sale of a company improved earnings in 2016 compared with 2015. The increase was due to higher performance fees being recognised as income in the period under review.

In 2016 Maj Invest Equity acted as advisors to LD Equity 2 K/S on the sale of six companies and to LD Equity 3 K/S on the sale of two portfolio companies.

Maj Invest Equity also acted as advisors to Maj Invest Equity 4 K/S on the acquisition of DK-Foods A/S in 2016. DK-Foods A/S is a leading producer of pepperoni, chorizos and salamis primarily to producers of frozen and refrigerated pizzas. This investment brings the number of companies Maj Invest Equity 4 K/S has invested in to eight. The five-year investment period for Maj Invest Equity 4 K/S expired in August 2016.

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 competences with local knowledge, each fund obtains strong competitive

SUCCESSFUL NEW FUND SET UP - MAJ INVEST EQUITY 5 K/S

Maj Invest Equity acts as advisors to a newly established fund, Maj Invest Equity 5 K/S. The fund was set up in October 2016 and at first closing had a closing capital commitment of 1.6 billion Danish kroner. Existing and new Danish institutional investors have shown interest in our new fund. In connection with the second closing in December we had further commitments from international investors, and end-2016 the total closing commitment amounted to 2.0 billion Danish kroner.

Maj Invest Equity 5 K/S invests in small and medium-sized Danish growth companies with development potential. The focus is on creating value in companies with revenues between 200 million and 1 billion Danish kroner. Maj Invest Equity has a partnership approach and is interested in establishing partnerships with family-owned companies with a special edge within their particular lines of business. The funds typically invest in ownership shares of between 40 and 85 per cent. Maj Invest Equity 5 K/S' investment strategy is a direct extension of the strategy pursued by Maj Invest Equity 4 K/S, which includes eight attractive investments.

Maj Invest Equity 5 K/S has already made its first investment with an agreement to acquire TDC Hosting in early February 2017. This company is a major provider and specialises in outsourcing business-critical IT operations and infrastructure in Denmark.

Final closing is planned for the first quarter of 2017 when we expect Maj Invest Equity 5 K/S to achieve a maximum closing commitment of 2.25 billion Danish kroner.

power. 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 for the remaining it is based on exports to international markets. In 2016, the group has provided advisory services on the sale of the company AA Corporation. With this sale the fund is now comprised of two portfolio companies.

Additionally, Maj Invest Equity International acts as advisor to the follow-up 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 2016, the

group has provided advisory services on a follow-on investment in the fund's first investment as well as provided advisory services on an investment in the company Niso Corporation. The company manages 28 cafés and restaurants in Vietnam under various brand names.

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 acts as advisor to Danish Microfinance Partners K/S. This fund invests in microfinance institutions in Latin America, Asia and Africa. Normally, microfinance institutions are banks offering financial services to a group of clients with no access to the financial services offered by traditional commercial banks. Typical services include savings, insurance and



Maj Invest provides advisory services to international private equity funds investing in companies in Vietnam, Southeast Asia and microfinance.

small loans with short maturity. Loans are granted to groups or individual clients.

In 2016, Maj Invest Equity International provided advisory services on the sale of the first company, Satin Creditcare in India. The sale generated a highly satisfactory return to investors, whose investments quadrupled. After this sale five investments remain of which one is in India, three are in Latin America 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. The fund focuses on direct investments in the top segment of microfinance institutions in Latin America, Asia and Africa. Since the establishment of the fund in 2015, Maj Invest Equity International has provided advisory services to the fund on two investments. In 2016, advisory services have been provided on follow-up investments in the two institutions. The fund is still open to further investment commitments from new investors.

Our group has a company in Peru that acts as consultants to Fondsmæglerselskabet Maj Invest A/S concerning investments in microfinance in Latin America.

MAJ BANK

Since Maj Bank was approved as a bank by the Danish FSA, we have focused on streamlining work routines and further developing our systems. Much of this work continued for most of 2016. End-2016 also saw the completion of the bank's initial start-up and development phase, and since the start of 2017 the bank has been geared to serve more clients and expand its business volumes. Today our bank has the best possible basis for welcoming new clients and focusing on their advisory needs as regards 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



Maj Bank welcomed the first clients at the end of 2015. The bank is located at Dronningens Tværgade in the heart of Copenhagen.

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 Bank offers accounts and deposit accounts for savings and investment purposes. Maj Bank does not offer loans, bank 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.

Maj Bank started advising its first clients in November 2015, and in 2016 our clients seemed pleased with Maj Bank's services.

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 19 to the financial statements includes information on the size of nonrealised performance-based management fees after reserve for bonus schemes and taxes, etc.

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) from 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. ■

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 our staff. The boards of directors of Maj Invest Holding A/S and Fondsmæglerselskabet Maj Invest A/S are identical. 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.

In the first half of 2016, Morten Lund Madsen and Hans Jensen both retired from the board of directors and were replaced by Henrik Andersen and Nils Bernstein.

The executive board consists of three people. These three hold the same positions in Fondsmæglerselskabet Maj Invest A/S and the executive boards of the two companies are therefore identical. Two members of the executive board also constitute the executive board of Maj Invest Equity A/S.

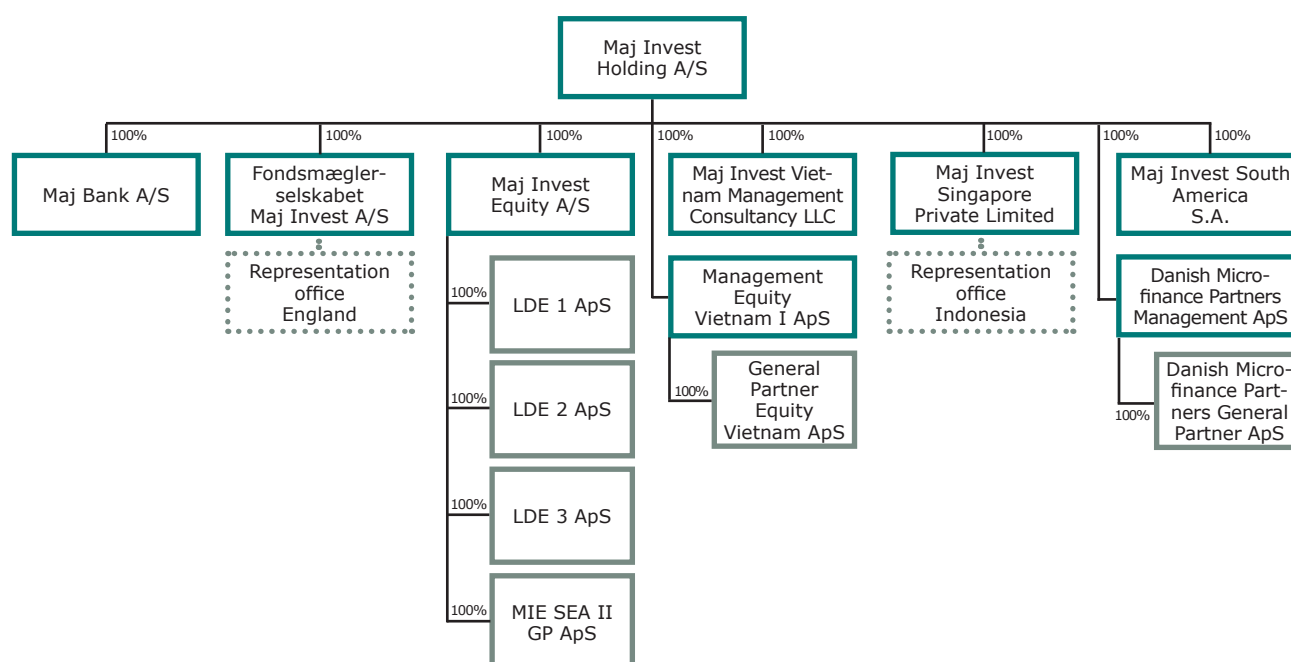
Directorships and executive functions of the board of directors and our executive board appear in the chapter headed "Executive functions and directorships".

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 2016 the board of directors took stock of this issue in particular and of our diversity policy in general. The target is now to be met within three years. At year-end the share of the underrepresented gender was 25 per cent.

The board of directors of Fondsmæglerselskabet Maj Invest A/S has 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



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. Several 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. After our executive board and board of directors, group employees account for the biggest group of shareholders in Maj Invest Holding A/S.

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 their fair values at the time of 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. After Erhvervsstyrelsen (the Danish Business Authority) had finally registered the capital reduction on 16 February 2017, the composition of Maj Invest Holding A/S' shareholders is now as shown in the graph.

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.

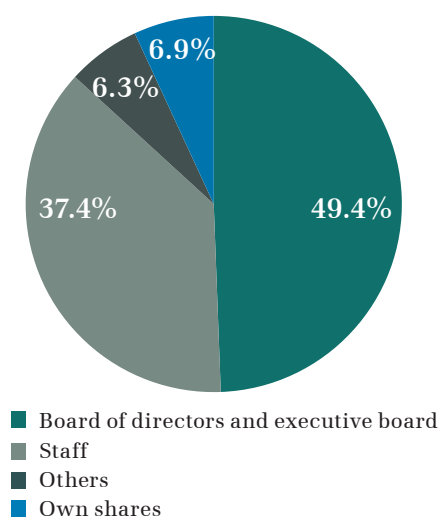
We are convinced that competitive remuneration is a must for attracting and retaining competitive executive officers and staff. An incentive-based remuneration or retention scheme can help promote business development that benefits our company. In our opinion, ownership with both management and staff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

In 2016 the group employed an average of 105 staff members, six more than in 2015. The staff increase is due to a continued favourable development in business activities and the full-year effect of the number of staff employed in Maj Bank A/S.

RESEARCH AND DEVELOPMENT ACTIVITIES

The group has not had any research activities; however, the subsidiary Maj Bank A/S has in 2016 developed the IT knowledge platform Maj World together with external suppliers. ■

DISTRIBUTION OF SHARES IN MAJ INVEST HOLDING A/S



FINANCIAL REVIEW

TRENDS IN PROFIT

- Profit before tax
- Profit after tax

DKK million



Consolidated profit before tax amounted to DKK 233.5 million against DKK 107.5 million in 2015. Consolidated profit after tax was DKK 180.0 million against DKK 81.8 million last year. The result is the best ever in the history of our group and highly satisfactory.

Profits were significantly higher than our original forecast for 2016, which was announced in our annual report for 2015, and also better than the upgraded forecast announced on the publication of our interim report for the first half of 2016. At that time the forecast was adjusted upwards from profits after tax to the tune of DKK 40-60 million to profits estimated at DKK 70-90 million.

Realised gross income was substantially higher than our original forecast due to far higher performance fees and a huge rise in assets under management, which generated higher net fee income. In addition, market value and currency translation adjustments were somewhat above the level announced in our original forecast for 2016.

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 unlisted investments primarily relating to Maj Invest Equity. The value of unlisted 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 a newly 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 2016.

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 3.7 million in 2016 against DKK 1.7 million the year before. The amount includes a gain on equities from DKK 0.7 million in 2015 to DKK 3.6 million in 2016. This gain stems primarily from the investments in the private equity funds which the group provides advisory services to. Net interest income amounted to DKK 0.1 million in 2016 against DKK 1.0 million in 2015. The decline in net interest income is mainly due to the full-year effect of interest expenses in connection with a loan raised in the fourth quarter of 2015.

Market value and currency translation adjustments showed a gain of DKK 9.6 million against a gain of DKK 14.4 million in 2015. Equities provided a gain of DKK 9.8 million whereas bonds produced a loss of DKK 0.8 million. Currency translation adjustments contributed positively in the amount of DKK 0.6 million.

Other operating income relating primarily to our administration of private equity funds dropped from DKK 11.5 million in 2015 to DKK 10.1 million in 2016. The decrease is mostly caused by runoff in a number of old funds where income is based on invested capital.

Staff costs, etc., fell by DKK 1.9 million mainly due to the company employing an average of two people fewer

in 2016 than in 2015 as well as earned income and severance compensation paid to an executive officer who was laid off in 2015.

Administrative expenses accounted for DKK 3.3 million, which is a decline of DKK 1.0 million on 2015 when they amounted to DKK 4.3 million.

Results from interests in group enterprises totalled DKK 177.5 million, or more than a doubling of profits in 2015, which amounted to DKK 78.4 million. Most of the results in group enterprises and the related improvement are attributable to Fondsmæglerselskabet Maj Invest A/S. Moreover, the start-up phase of Maj Bank A/S in 2015 involved some additional costs not incurred in 2016. Results in group enterprises are explained in more detail in “Trends in significant subsidiaries”.

At year-end shareholders’ equity was DKK 515.7 million, or an increase of DKK 157.3 million compared with DKK 358.4 million at end-2015. Shareholders’ equity was positively affected by the consolidation of profits for the year in the amount of DKK 180.0 million and the sale and purchase of own shares worth net DKK 22.7 million. On the other hand, shareholders’ equity was reduced in June 2016 after the distribution of extraordinary dividend in the amount of DKK 45.4 million.

At end-2016 the parent’s balance sheet was DKK 615.6 million against DKK 469.9 million at the end of 2015.

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; however, the establishment of Maj Bank A/S is starting to leave a mark on the group. The group’s activities are mentioned on pages 9-16 in this annual report.

Fondsmæglerselskabet Maj Invest A/S’ gross income was DKK 395.2 million, or a rise of DKK 125.6 million. The increase was the result of an improvement in consulting income deriving from a huge rise in assets under management as well as a large increase in performance fees. Costs rose by 1.4 per cent to DKK 149.1 million. Profit after tax was DKK 191.3 million in 2016 against 93.8 million in 2015. Shareholders’ equity amounted to DKK

392.6 million at end-2016, and total assets amounted to DKK 487.8 million.

Maj Invest Equity A/S provides administrative and advisory services to a number of private equity funds. The company recorded losses after tax of DKK -4.7 million against a loss in 2015 of DKK -1.4 million. The negative trend in results is due primarily to the company having some one-off costs to external consultants in connection with advisory services provided to the new private equity fund, Maj Invest Equity 5 K/S. Its own funds were bolstered twice in 2016 with a total of DKK 8.0 million. Shareholders’ equity at year-end was DKK 14.0 million and total assets were DKK 45.3 million.

2016 was the first full year of operation since Maj Bank A/S was approved as a bank in 2015 by the Danish FSA. Throughout 2016 the bank focused on streamlining work routines and systems. Its result after tax was a loss of DKK -9.3 million against DKK -16.1 million in 2015 covering a 16-month period. At year-end 2016 shareholders’ equity amounted to DKK 77.4 million and total assets were DKK 141.9 million. The capital ratio is 241.3 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 0.2 million, and shareholders’ equity totalled DKK 2.7 million at year-end.

COMMENTS IN RESPECT OF SELECTED ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2016 net interest income amounted to DKK 1.8 million against DKK 3.4 million in 2015. The lower net interest income is due, among other things, to negative rates of interest on the group’s bank deposits and interest expenses on a loan raised in the fourth quarter of 2015.

Equities, etc., produced a gain from DKK 2.1 million in 2015 to DKK 4.8 million in 2016. The improvement stems mainly from the group’s investments in private equity funds under the group’s management.

Net fee income amounted to DKK 416.9 million against DKK 287.0 million in 2015. Of the DKK 129.9 million in-

crease, performance fees accounted for DKK 111.4 million and assets under management basically accounted for the remaining amount of DKK 18.5 million. Maj Invest Asset management and Maj Invest Equity have both seen a large increase in net fee incomes. Maj Invest Equity also had a high level of performance fees.

Market value adjustments amounted to DKK 14.5 million in 2016 against DKK 21.6 million in 2015. Bonds produced a capital loss of DKK 0.3 million, equities generated a capital gain of DKK 14.6 million and currency translation adjustments including hedging transactions contributed positively with DKK 0.2 million.

Staff costs and administrative expenses fell by DKK 3.4 million from DKK 211.9 million in 2015 to DKK 208.5 million in 2016.

In 2016 staff costs accounted for DKK 145.7 million, or an increase of DKK 8.9 million compared with 2015. On average the group employed six employees more than in 2015. The increase in the number of employees combined with general wage increases and a rise in payroll-related costs of 1.4 percentage point are the major explanations for the rising staff costs.

Other administrative expenses dropped by DKK 12.3 million to DKK 62.8 million in 2016. The decline should be viewed in the light of a higher level of expenses in 2015 due, among other things, to the start-up of activities in Maj Bank.

Depreciation charges on intangible and tangible assets totalled DKK 7.0 million, or an increase of DKK 2.5 million compared with DKK 4.5 million in 2015. One reason for the increase in depreciation charges is the full-year effect of tangible and intangible assets acquired in 2015, including payment for a client portfolio in Maj Invest Formueforvaltning (wealth management) and development costs relating to an IT knowledge platform in Maj Bank.

In 2016 profit before tax amounted to DKK 233.5 million against DKK 107.5 million in 2015. Corporate taxes are estimated at DKK 53.5 million, matching an effective tax rate of 22.5 per cent. After tax, profits amounted to DKK 180.0 million against DKK 81.8 million the year before.

Total consolidated assets amounted to DKK 798.4 million. Amounts due from central banks and credit institutions rose by DKK 134.1 million to DKK 328.7 million at end-2016. This amount has increased because we expect profits for the year to be paid out as dividend, which means that liquid resources are currently placed with credit institutions. Moreover, an increase in deposits in Maj Bank is matched by a corresponding increase in amounts due from central banks and credit institutions.

The group's holding of bonds at year-end totalled DKK 252.2 million against DKK 189.5 at the end of 2015. Equities and investments in some of the private equity funds under management were reduced by DKK 14.2 million to DKK 95.1 million at end-2016. The financial uncertainty in early 2016 prompted this reduction, which was primarily made in the holding of listed equities.

Other assets rose from DKK 57.9 million at end-2015 to DKK 78.3 million at the end of 2016. Most other assets and their related increase concern deposits from clients resulting from the rise in assets under management and an increase in performance fees receivable.

A loan of DKK 25 million raised in 2015 to partially fund our buyback of own shares was redeemed prematurely in 2016.

At year-end shareholders' equity were DKK 515.7 million against DKK 358.4 million in 2015. Extraordinary dividends distributed in June 2016 reduced shareholders' equity by DKK 45.4 million. The consolidation of profits for the year of DKK 180.0 million and the purchase and sale of own shares in the net amount of DKK 22.7 million had a positive impact on shareholders' equity.

CAPITAL AND CAPITAL RATIOS

The group's own funds totalled DKK 282.6 million at year-end 2016 against DKK 346.4 million at year-end 2015. In note 25 of the financial statements there is a link between shareholders' equity and own funds.

Erhvervsstyrelsen (the Danish Business Authority) finally registered the announced reduction of capital on 16 February 2017. This bolstered our own funds by DKK 44.5 million, matching a reversal of dividend at end-2016 on the shares cancelled in connection with the reduction in capital.

The group's capital ratio was 28.8 per cent at year-end. This is a decline of 7.3 percentage points compared with year-end 2015. The decline is of a technical nature as dividends were allocated for end-2016 on shares that were subsequently cancelled on the reduction of our capital. Had the reduction in capital been made at year-end 2016, the group's capital ratio would have been 33.4 per cent, or a decline of 2.7 percentage points compared with end-2015.

Group risk exposures totalled DKK 980.7 million at year-end 2016 against DKK 960.0 million at year-end 2015. Credit risk exposures were DKK 363.7 million, market risk exposures were DKK 56.7 million, and operational risk items were DKK 560.3 million at year-end.

At year-end the parent's own funds amounted to DKK 293.0 million against DKK 358.3 million at the end of 2015. The capital ratio was 40.9 per cent. At end-2015 the capital ratio was 64.9 per cent. As with the group, the fall is due to dividends being allocated on own shares at year-end, shares that were subsequently cancelled and thus strengthened own funds by an amount of DKK 44.5 million. Had the reduction in capital been made at year-end, the parent's capital ratio would have been 47.2 per cent.

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 we refer to note 28 (Financial instruments and risks) and the document 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 4.9 per share of DKK 1, or DKK 222.6 million. Because the reduction in capital was not finally approved until February 2017, and thus prior to approval by the general meeting, a dividend of DKK 4.9 per share matches a payout of DKK 178.1 million. The board recommends that the remaining amount be retained.

OUTLOOK FOR 2017

Some uncertainty attaches to the outlook for 2017 as a substantial portion of consolidated income is variable. The portion of consolidated income that depends on assets under management is increasing. The development in assets and trends in the financial markets, including total returns and the number of clients, are significant to consolidated income and thus to our bottom-line.

The level of performance-based fees is also uncertain and difficult to forecast, and lower-than-estimated fees will impact the forecasted consolidated profit.

Consolidated gross income excluding performance fees is expected to be at a higher level in 2017 than in 2016. Consolidated gross income including performance fees is estimated to be lower in 2017 than in 2016.

We expect a higher level of activity in the group in 2017, which will lead to higher costs than in 2016. We forecast a rise in the number of employees.

Overall, we forecast net profit after tax for 2017 to range between DKK 130 and 140 million.

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. The announced reduction in capital was finally registered by Erhvervsstyrelsen (Danish Business Authority) on 16 February 2017. ■

THE FINANCIAL MARKETS

TREND IN 2016

In the USA, the annual GDP grew a mere 1 per cent from autumn 2015 to summer 2016 following a lengthy period of almost 3 per cent growth. The market saw the trend as reflecting a negative impact from China's ever-increasing economic problems. Investors lost confidence in the sustainability of the economic upswing in the USA, and perhaps especially in Europe. In autumn 2015 and spring 2016, this lack of confidence triggered two distinct risk-off episodes with substantial drops in equity prices and interest rates on bonds.

The slowdown in the US economy was basically transient and caused by a relatively extensive inventory adjustment. This period appears to be nearing its end, and we assess that US GDP growth in the first quarter of 2017 will be almost back at a level of just under 3 per cent. If Donald Trump decides to significantly relax fiscal policies entailing tax cuts and investments in infrastructure and defence, the rate of growth may temporarily be even higher.

The USA will not be the only country benefiting from the turnaround in inventory cycle. Global sourcing – the global supply chain – has made the ups and downs of the business cycle almost a common global cycle, which is still primarily centred round the USA. In many other countries, the turn of the year therefore saw a fresh boost in industry-related indicators, including the PMI index.

At long last, the upswing has also taken hold in the euro zone and from mid-2014 to mid-2016 domestic demand in terms of personal spending and capital investments rose by 2-2.25 per cent annually. This trend marks a turning point in the current credit cycle, where debt reduction peaked in 2013. However, lending growth slackened in the third quarter of 2016 with the rate of growth in personal spending and capital investments diving to 1.1 per cent. In our opinion, the third-quarter slowdown was transient and driven by a global downturn in the first half of 2016 and uncertainty in the wake of the Brexit. Towards the end of last year we saw a rise in bank loans, and indicators for capital investments and personal spending are showing signs of revival.

Investors in the financial markets are increasingly recognizing the revival of the global economy. Where investors previously tended to focus on problems, they are now increasingly focusing on opportunities – despite the improbability of geopolitical risks becoming smaller. The mood of optimism in the market actually started immediately after the Brexit referendum. After Brexit, risk assets responded positively to both the American presidential election and the Italian referendum, although both ended in an outcome feared by investors. This marked resistance to bad news may be viewed as an illustration of the degree to which investors were surprised by the turnaround and the degree to which they were wrongly positioned to respond to the upturn.

After a tremendous price drop at the beginning of the year, the US S&P stock index ended 9.5 per cent above the end-2015 level. This corresponds to a rise of 12.7 per cent in Danish kroner. The German DAX index rose 6.9 per cent. Emerging market stocks fared better, and MSCI Emerging Markets rose 15.0 per cent in Danish kroner. The Danish C20 index, however, fell by 12.8 per cent.

Unlike the development in stock markets, rates on most government bonds dropped at the beginning of the year, but have subsequently picked up. The US 10-year government bond rate was 2.44 per cent at year-end, 0.17 percentage point above the end-2015 level. In Germany and Denmark the corresponding rates at year-end were 1.21 percent and 0.33 per cent, respectively, i.e. 0.42 and 0.64 percentage point lower than at the end of 2015. The interest rate gap between Germany and Spain rose 0.03 percentage point to 1.18 percentage point whereas the Italian interest rate gap to Germany rose 0.64 percentage point to 1.61 percentage point.

OUTLOOK FOR THE FINANCIAL MARKETS IN 2017

Employment in the USA is approaching a level where employers will start having difficulty finding suitable employees. Consequently, the US central bank, the Fed, wants to raise the key interest rate but at a particularly slow pace. In Maj Invest's opinion, the current 10-year rate level matches the outlook for monetary policies quite well. However, President Trump's economic policy plans, which entail a drastic relaxation of fiscal

policy, may challenge expectations of a very slow tightening of US monetary policies.

The level of long-term interest rates in Europe currently reflects a situation in which the market considers the tightening of rates within a relevant time horizon unrealistic. Here we see a risk of a change in market psychology as investors and the ECB gradually recognise the sustainability of the European upswing. This may raise interest rates in Europe, with some rub-off effect on rates in the USA.

The strong US dollar is squeezing earnings in American business corporations. Despite prospects of economic growth, we foresee only limited improvement in the fair value of the S&P 500 index. However, there are considerable uncertainties, primarily politically founded, about the development. On the up side, Donald Trump's plans to cut corporate taxes may instantly raise fair values substantially if fully implemented. The down side is

that protectionist initiatives risk severely affecting earnings in corporations with a global supply chain.

In terms of earnings and pricing expectations, Maj Invest considers European equities more attractive; on the other hand, they are weighed down by the uncertainty that still lingers about the continued cohesion of the EU. The French presidential election in spring 2017 is among the factors accentuating this uncertainty. ■



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
Nykredit Forsikring A/S
Rungsted Sundpark A/S
Skodsborg Sundpark A/S

Vice chairman of the boards of:

Bodum Holding AG, Switzerland
Bodum Land A/S
Peter Bodum A/S

Directorships:

Den Danske Forskningsfond
Jeudan A/S
Løvenholm Fonden
Pharmacosmos Holding A/S with two subsidiaries
SG Finans AS, Norway
Skandinavisk Holding A/S with one subsidiary
Skodsborg Sundhedscenter A/S with one subsidiary
Tivoli A/S

CEO:

Augustinus Fonden
CAF Invest A/S
Chr. Augustinus Fabrikker Aktieselskab

Managing Director:

TP Advisers ApS

Remuneration 2016: DKK 150,000

At group level: DKK 525,000

■ HENRIK ANDERSEN

Chairman of the boards of:

Hempel Decorative Paints A/S with two subsidiaries
HSA (Danmark) A/S

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 2016: DKK 33,000

At group level: DKK 250,000

■ 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 2016: DKK 33,000

At group level: DKK 267,000

■ 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
Dansk Retursystem 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 2016: DKK 50,000
At group level: DKK 175,000

■ KLAUS BENTIN

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

Director's remuneration 2016 (normal salary paid to directors elected by staff not disclosed): DKK 50,000. At group level: DKK 175,000

■ KEN BAMBERG ERNSTSEN

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

Director's remuneration 2016 (normal salary paid to directors elected by staff not disclosed): DKK 50,000. At group level: DKK 175,000

■ TOMAS MUNKSGARD HOFF

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

Director's remuneration 2016 (normal salary paid to directors elected by staff not disclosed): DKK 50,000. At group level: DKK 175,000

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
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 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 2016: DKK 2,972,000 including company car subsidy
At group level: DKK 6,605,000 including company car subsidy

■ ERIK HOLM

Chairman of the boards of:

Sticks'n'Sushi Holding A/S with one subsidiary
Vernal A/S

Vice chairman of the boards of:

Arvid Nilssons Fond
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
Muuto Holding ApS with one subsidiary
Svendsen Sport A/S
Vega SEA A/S

CEO:

Maj Invest Equity A/S

Managing Director:

Fondsmæglerselskabet Maj Invest A/S
Maj Invest Holding A/S
Erik Holm Holding 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 2016: DKK 1,300,000

At group level: DKK 5,200,000

■ 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 2016: DKK 1,117,000

At group level: DKK 4,468,000



FINANCIAL STATEMENTS

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK thousand	Note	Group		Parent	
		2016	2015	2016	2015
Interest income	3	3,573	4,647	1,191	1,488
Interest expense	4	(1,783)	(1,214)	(1,067)	(497)
Net interest income		1,789	3,432	124	991
Dividend on equities etc.		4,820	2,115	3,555	728
Fee and commission income		514,407	372,425	-	-
Fee and commission expense		(97,499)	(85,466)	(16)	(47)
Net interest and fee income	6, 7	423,517	292,506	3,663	1,672
Market value and currency translation adjustments	5, 6, 7	14,509	21,645	9,624	14,399
Other operating income		11,167	11,908	10,064	11,464
Staff costs and administrative expenses	8	(208,492)	(211,862)	(18,648)	(21,618)
Depreciation, amortisation and impairment of intangible and tangible assets		(6,993)	(4,548)	(59)	(100)
Other operating costs		(300)	(1,120)	-	-
Loan impairment charges	9	61	(993)	61	(993)
Results of interests in associates and group enterprises		-	-	177,505	78,392
Profit before tax		233,469	107,536	182,210	83,216
Tax	10	(53,465)	(25,704)	(2,205)	(1,384)
Net profit for the year		180,004	81,832	180,004	81,832
Other comprehensive income					
Translation of results of foreign entities		37	14	37	14
Other comprehensive income, total		37	14	37	14
Comprehensive income for the year, total		180,041	81,846	180,041	81,846

DISTRIBUTION OF PROFIT

For distribution					
Transferred from "Other reserves"				222,645	-
Net profit for the year				180,004	81,832
For distribution, total				402,649	81,832
Proposed distribution					
Proposed dividend				222,645	-
Provision for "Reserve for revaluation using the equity method"				177,505	78,392
Provision for equity under "Retained earnings"				2,499	3,440
Distributed amount, total				402,649	81,832

BALANCE SHEET

DKK thousand	Note	Group		Parent	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
ASSETS					
Cash in hand and demand deposits with central banks		33,745	75,596	-	-
Due from credit institutions	11	294,946	119,035	30,907	15,952
Loans and receivables	12	3,366	866	3,366	866
Bonds at fair value	13	252,231	189,501	7,293	23,697
Equities etc. at fair value	14	95,135	109,309	81,922	55,331
Interests in group enterprises	15	-	-	486,733	368,691
Intangible assets	16	10,199	11,737	82	-
Other tangible assets	17	4,460	3,920	19	42
Current tax assets		12,938	12,961	-	-
Deferred tax assets		-	-	8	30
Other assets	18	78,287	57,898	4,651	4,485
Prepaid expenses		13,062	12,927	663	817
Total assets		798,370	593,751	615,643	469,911

BALANCE SHEET

DKK thousand	Note	Group		Parent	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
LIABILITIES					
Debt					
Due to credit institutions	20	59,965	84,922	59,965	84,922
Deposits	21	61,696	10,019	-	-
Current tax liabilities		2,040	-	3,189	1,515
Other liabilities	22	118,194	113,531	36,308	23,808
Accrued income		24,346	8,381	435	1,255
Total debt		266,241	216,853	99,897	111,500
Provisions					
Provisions for deferred tax		1,383	1,487	-	-
Other provisions	23	15,000	17,000	-	-
Provisions, total		16,383	18,487	-	-
Shareholders' equity					
Share capital		45,438	45,438	45,438	45,438
Accumulated value adjustments					
Accumulated currency translation of foreign entities		63	26	63	26
Other reserves					
Net revaluation using the equity method		-	-	99,214	101,709
Other reserves		36,277	13,545	130,104	195,456
Retained earnings		211,322	299,402	18,281	15,782
Proposed dividend		222,645	-	222,645	-
Total shareholders' equity		515,746	358,411	515,746	358,411
Total liabilities		798,370	593,751	615,643	469,911

Notes not referred to: 1, 2, 19, 24, 25, 26, 27 and 28.

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							
Proposed dividend	-	-	-	(222,645)	222,645	-	-
Extraordinary dividend 2016	-	-	-	(45,438)	-	-	(45,438)
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 - GROUP

2015	Share capital	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Minority interests	Total
DKK thousand							
Shareholders' equity, year-end 2014	45,438	13,545	12	402,716	45,438	42	507,191
Net profit for the year	-	-	-	81,832	-	-	81,832
Other comprehensive income							
Translation of results of foreign entities	-	-	14	-	-	-	14
Other comprehensive income, total	-	-	14	-	-	-	14
Comprehensive income for the year, total	-	-	14	81,832	-	-	81,846
Transactions with owners							
Dividend 2014	-	-	-	-	(44,380)	-	(44,380)
Non-distributed dividend, own shares 2014	-	-	-	1,058	(1,058)	-	-
Issue of options	-	-	-	540	-	-	540
Acquisition of own shares	-	-	-	(214,290)	-	-	(214,290)
Sale of own shares	-	-	-	27,546	-	-	27,546
Disposal of minorities	-	-	-	-	-	(42)	(42)
Shareholders' equity, year-end 2015	45,438	13,545	26	299,402	-	-	358,411

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	-	-	-	-
Proposed dividend	-	-	(222,645)	-	-	222,645	-
Extraordinary dividend 2016	-	-	(45,438)	-	-	-	(45,438)
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 will be approved at the annual general meeting in the spring 2017.

STATEMENT OF CAPITAL - PARENT

2015							
DKK thousand	Share capital	Reserve for net revaluation using equity method	Other reserves	Currency translation reserve	Retained earnings	Proposed dividend	Total
Shareholders' equity, year-end 2014	45,438	143,318	260,602	12	12,341	45,438	507,149
Net profit for the year	-	78,392	-	-	3,440	-	81,832
Other comprehensive income							
Translation of results of foreign entities	-	-	-	14	-	-	14
Other comprehensive income, total	-	-	-	14	-	-	14
Comprehensive income for the year, total	-	78,392	-	14	3,440	-	81,846
Transactions with owners							
Extraordinary dividend from subsidiaries 2015	-	(52,500)	52,500	-	-	-	-
Expected dividend from subsidiaries*	-	(67,500)	67,500	-	-	-	-
Dividend 2014	-	-	-	-	-	(44,380)	(44,380)
Non-distributed dividend, own shares 2014	-	-	1,058	-	-	(1,058)	-
Issue of options	-	-	540	-	-	-	540
Acquisition of own shares	-	-	(214,290)	-	-	-	(214,290)
Sale of own shares	-	-	27,547	-	-	-	27,547
Shareholders' equity, year-end 2015	45,438	101,709	195,456	26	15,782	-	358,411

*Dividend was approved at the annual general meeting in the spring 2016.

STATEMENT OF CAPITAL - PARENT

The company's share capital consists of 45,437,820 shares of DKK 1 (2015: 45,437,820).

At year-end 2016, the company had no outstanding warrants (year-end 2015: 3,636,100). Warrants entitled holders to acquire a share either through the company's holding of own shares or through the issue of new shares.

The company has 454,000 options at year-end 2016 (year-end 2015: 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 warrants 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.

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. 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 a few employees exercising their warrants in the company. The net value of the annual acquisition and sale of own shares was DKK 22,732 thousand.

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 by the Erhvervsstyrelsen (the Danish Business Authority) on 16 February 2017.

Own shares	Shares		In per cent of capital
	Number	Nom. value	
2015			
Own shares 1 January	1,301,175	1,301,175	2.8%
Acquisition of own shares	18,702,490	18,702,490	41.2%
Sale of own shares	(2,540,291)	(2,540,291)	(5.6%)
Own shares 31 December	17,463,374	17,463,374	38.4%

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 also in connection with a few employees exercising their warrants in the company. As part of an adjustment of the group's capital structure, conditional agreements on the transfer of shares were additionally entered into with large shareholders on the acquisition of their entire holding of shares in the company and a partial resale to a new shareholder. These transfer agreements were formally approved by the Danish Financial Supervisory Authority in March 2016. The net value of the annual acquisition and sale of own shares including the conditional agreements on the transfer of shares was DKK 186,744 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.

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.

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.

NOTES

Note 1 cont.

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 associates 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.

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".

NOTES

Note 1 cont.

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 associates and group enterprises

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

Interests in associates and group enterprises are recognised and measured using the equity method. The proportionate interests in the equity values of associates 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 associates and group enterprises".

NOTES

Note 1 cont.

Through the distribution of profit, the total net revaluation of interests in associates 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.

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.

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.

NOTES

Note 1 cont.

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	2016	2015	2014	2013	2012
Net interest and fee income	423,517	292,506	291,956	327,014	238,555
Market value and currency translation adjustments	14,509	21,645	8,883	6,380	9,063
Staff costs and administrative expenses	(208,492)	(211,862)	(175,615)	(158,004)	(175,752)
Net profit for the year	180,004	81,832	100,374	139,699	63,480

BALANCE SHEET

Loans	3,366	866	915	-	-
Shareholders' equity	515,746	358,411	507,191	450,014	260,166
Total assets	798,370	593,751	659,524	605,471	513,419

RATIOS AND KEY FIGURES

Return on equity before tax	53.4%	24.8%	27.9%	52.2%	35.8%
Return on equity after tax	41.2%	18.9%	21.0%	39.3%	26.9%
Cost/income ratio	2.08	1.49	1.75	2.15	1.47
Cost in % of income	48.0%	67.0%	57.2%	46.5%	67.9%
Tier 1 capital ratio	28.8%	36.1%	43.8%	48.7%	37.3%
Capital ratio	28.8%	36.1%	43.8%	48.7%	48.5%
Own funds in relation to minimum capital requirements	3.6	4.5	5.5	6.1	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	2016	2015	2014	2013	2012
Net interest and fee income	3,663	1,672	2,862	1,699	1,701
Market value and currency translation adjustments	9,624	14,399	(2,421)	(118)	3,588
Staff costs and administrative expenses	(18,648)	(21,618)	(18,272)	(13,127)	(10,929)
Results of interests in associates and group enterprises	177,505	78,392	106,718	137,773	57,461
Net profit for the year	180,004	81,832	100,374	139,697	63,479

BALANCE SHEET

Loans	3,366	866	915	-	-
Shareholders' equity	515,746	358,411	507,149	449,971	260,125
Total assets	615,643	469,911	531,069	471,642	286,192

RATIOS AND KEY FIGURES

Return on equity before tax	41.7%	19.2%	20.6%	39.2%	27.7%
Return on equity after tax	41.2%	18.9%	21.0%	39.3%	26.9%
Cost/income ratio	10.77	4.66	6.37	11.46	6.88
Cost in % of income	9.3%	21.4%	15.7%	8.7%	14.5%
Tier 1 capital ratio	40.9%	64.9%	79.8%	90.8%	83.7%
Capital ratio	40.9%	64.9%	79.8%	90.8%	83.7%
Own funds in relation to minimum capital requirements	5.1	8.1	10.0	11.3	10.5

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

NOTES

DKK thousand	Group		Parent	
	2016	2015	2016	2015
Note 3 Interest income				
Due from credit institutions	132	170	43	87
Bonds	2,793	4,433	631	1,403
Derivatives (foreign exchange contracts)	(13)	(276)	0	2
Other interest income	661	319	517	(4)
Total interest income	3,573	4,647	1,191	1,488
Note 4 Interest expense				
Credit institutions	(1,594)	(1,149)	(1,010)	(433)
Other interest expense	(190)	(65)	(57)	(64)
Total interest expense	(1,783)	(1,214)	(1,067)	(497)
Note 5 Market value and currency translation adjustments				
Bonds	(274)	(581)	(742)	(93)
Equities etc.	14,618	20,948	9,775	13,742
Currency	109	1,531	591	777
Derivatives	57	(254)	-	(26)
Total market value and currency translation adjustments	14,509	21,645	9,624	14,399
Note 6 Net interest, fee income and market value and currency translation adjustments by business area				
Net interest and fee income				
Asset Management	174,493	149,497	-	-
Equity	239,956	138,452	449	314
Treasury	4,929	4,742	3,214	1,358
Maj Bank	4,139	(185)	-	-
Total net interest and fee income	423,517	292,506	3,663	1,672
Market value and currency translation adjustments				
Asset Management	4,651	5,901	-	-
Equity	(99)	136	-	-
Treasury	9,957	15,608	9,624	14,399
Total market value and currency translation adjustments	14,509	21,645	9,624	14,399
Note 7 Geographical segmentation				
Net interest and fee income				
Denmark	411,460	281,633	2,938	1,061
Other Europe	9,966	9,721	-	-
Asia	826	688	725	611
North America	529	464	-	-
South America	(6)	-	-	-
Oceania	742	-	-	-
Total net interest and fee income	423,517	292,506	3,663	1,672

NOTES

Note 7 cont.

DKK thousand	Group		Parent	
	2016	2015	2016	2015
Market value and currency translation adjustments				
Denmark	13,907	15,856	9,043	14,087
Other Europe	(53)	(182)	-	-
Asia	1,733	2,918	581	312
North America	(1,034)	3,053	-	-
South America	(44)	-	-	-
Total market value and currency translation adjustments	14,509	21,645	9,624	14,399

Note 8 Staff costs and administrative expenses

Directors:

Directors, fixed remuneration	(1,710)	(1,759)	(446)	(502)
Directors, variable remuneration	-	-	-	-
Total	(1,710)	(1,759)	(446)	(502)

Executive board:

Executive board, fixed remuneration*	(15,973)	(19,696)	(5,294)	(6,140)
Executive board, variable remuneration	(300)	(300)	(95)	(95)
Total	(16,273)	(19,996)	(5,389)	(6,235)

Other significant risk takers:

Risk takers, fixed remuneration	(27,702)	(22,246)	-	-
Risk takers, variable remuneration	(1,150)	(1,100)	-	-
Total	(28,852)	(23,346)	-	-

Staff costs:

Salaries	(77,110)	(72,590)	(8,739)	(9,642)
Pensions	(6,687)	(6,317)	(772)	(904)
Social security costs and payroll tax based on Financial Services Payroll Tax Act	(15,052)	(12,729)	(42)	(54)
Total	(98,850)	(91,636)	(9,552)	(10,600)

Other administrative expenses	(62,807)	(75,126)	(3,261)	(4,281)
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Total staff costs and administrative expenses	(208,492)	(211,862)	(18,648)	(21,618)
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*The amount in 2015 includes earned income and severance package for the entire period of notice for an executive no longer employed.

Number of: Board of directors 7 (2015: 7), executive board 3 (2015: 3). Other significant risk takers group 19 (2015: 18), parent 1 (2015: 1).

In the parent, the number of employees whose activities have a material influence on the group's risk profile (risk takers) is one person, 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.

Director's fee paid to retired board member, Hans Jensen, in 2016 amounted to DKK 17,000, and at group level totalled DKK 58,000. Director's fee paid to retired board member, Morten Lund Madsen, in 2016 amounted to DKK 13,000, and at group level totalled DKK 44,000.

NOTER

Note 8 cont.

Executive board members' investment commitment/employment contracts involving performancebonus 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	-	+	-	+	-	+

2015	Jeppe Christiansen		Erik Holm		Henrik Parkhøi		Steffen Stæhr	
- = No commitment or not included + = Included in scheme	Performance-bonus	Carried interest	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 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	-	+	-	+	-	+	-	-

NOTER

Note 8 cont.

DKK thousand	Group		Parent	
	2016	2015	2016	2015
Number of employees				
Average number of employees (full-time equivalent)	105	99	10	12
Auditors appointed by the general meeting, fees				
Statutory audit of financial statements	(728)	(547)	(100)	(102)
Other assurance services	(234)	(193)	(15)	(20)
Tax advisory services	-	(31)	-	-
Non-audit services	(501)	(221)	-	-
Total audit and non-audit fees	(1,463)	(992)	(115)	(122)
Note 9 Loan impairment charges				
Individual impairment charges for the year	-	(993)	-	(993)
Reversal of individual impairment charges from prior years	61	-	61	-
Loan impairment charges, total	61	(993)	61	(993)
Note 10 Tax				
Tax on profit for the year	(53,538)	(24,739)	(2,183)	(1,629)
Adjustment of prior-year tax charges	(370)	273	-	258
Adjustment of deferred tax	443	(1,339)	(23)	(12)
Change in deferred tax due to tax rate adjustments	-	101	-	(2)
Total tax	(53,465)	(25,704)	(2,205)	(1,384)
Effective tax rate				
Current tax rate	22.0%	23.5%	22.0%	23.5%
Adjustment of non-taxable items	0.5%	0.2%	0.6%	0.6%
Adjustment of results of interests in associates and group enterprises	-	-	(21.4%)	(22.1%)
Adjustment of prior-year tax charges	0.0%	0.1%	-	(0.3%)
Change in deferred tax due to tax rate adjustments	-	(0.1%)	-	(0.0%)
Tax rate adjustments regarding international subsidiaries	0.0%	(0.0%)	-	-
Total effective tax rate	22.5%	23.7%	1.2%	1.7%

Deferred tax relates to intangible and other tangible assets.

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

NOTES

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Note 11 Due from credit institutions				
Demand deposits	294,946	119,035	30,907	15,952
Due from credit institutions, total	294,946	119,035	30,907	15,952
Note 12 Loans				
By current maturity				
Over 3 months and up to 1 year	866	-	866	-
Over 1 year and up to 5 years	2,500	866	2,500	866
Total loans	3,366	866	3,366	866
Note 13 Bonds at fair value				
Other mortgage bonds	212,883	159,801	1,484	2,232
Other bonds	39,348	29,700	5,810	21,465
Bonds at fair value, total	252,231	189,501	7,293	23,697
At year-end 2016, the group had provided bonds at a market value of DKK 35.8 million (2015: DKK 36.3 million) in security of trading in derivatives and securities.				
Interest rate risk	2,295	1,809	261	1,431
Note 14 Equities etc. at fair value				
Equities/mutual funds listed at				
Nasdaq OMX Copenhagen A/S	37,531	26,527	28,682	13,892
Equities listed at other stock exchanges	-	37,163	-	-
Unlisted equities at fair value	57,604	45,619	53,240	41,439
Total equities etc. at fair value	95,135	109,309	81,922	55,331
Note 15 Interests in associates				
Total acquisition sum at 1 January	-	-	199,783	106,485
Additions	-	-	8,000	93,298
Total acquisition cost at 31 December	-	-	207,783	199,783
Revaluations at 1 January	-	-	168,908	248,003
Foreign currency translation	-	-	37	14
Profit for the year	-	-	177,505	78,392
Dividend	-	-	(67,500)	(157,500)
Revaluations at 31 December	-	-	278,950	168,908
Carrying amount at 31 December	-	-	486,733	368,691
Carrying amount at 1 January	-	-	368,691	354,488

NOTES

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Note 16 Intangible assets				
Total cost at 1 January	18,397	6,490	-	-
Additions	3,782	12,108	118	-
Disposals	-	(202)	-	-
Total acquisition sum at 31 December	22,179	18,397	118	-
Amortisation and impairment charges at 1 January	(6,660)	(3,932)	-	-
Amortisation charges for the year	(5,320)	(2,930)	(36)	-
Reversals of depreciation charges	-	202	-	-
Amortisation and impairment charges at 31 December	(11,980)	(6,660)	(36)	-
Carrying amount at 31 December	10,199	11,737	82	-
Carrying amount at 1 January	11,737	2,558	-	-
Note 17 Other tangible assets				
Total cost at 1 January	14,383	11,963	927	902
Additions	2,261	3,073	-	25
Disposals	(221)	(653)	-	0
Total cost at 31 December	16,423	14,383	927	927
Depreciation and impairment charges at 1 January	(10,463)	(9,561)	(885)	(862)
Depreciation charges for the year	(1,673)	(1,542)	(23)	(23)
Reversals of depreciation charges	173	640	-	0
Depreciation and impairment charges at 31 December	(11,963)	(10,463)	(908)	(885)
Carrying amount at 31 December	4,460	3,920	19	42
Carrying amount at 1 January	3,920	2,402	42	40
Note 18 Other assets				
Various debtors	75,017	47,448	3,317	3,310
Positive fair value of derivatives etc.	353	7,144	-	0
Interest due	1,488	1,847	374	262
Other assets	1,429	1,459	960	913
Other assets, total	78,287	57,898	4,651	4,485
Various debtors include accounts with group enterprises worth	-	-	3,317	3,215

NOTES

Note 19 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 2016 our performance-based fee/carried interest, to which the company is not yet entitled, amounted to approx. DKK 95 million (at 31 December 2015: DKK 159 million) after provisions.

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Note 20 Due to credit institutions				
By current maturity				
Between one and five years	59,965	84,922	59,965	84,922
Due to credit institutions, total	59,965	84,922	59,965	84,922
Note 21 Deposits				
By current maturity				
Demand deposits	46,288	4,659	-	-
Up to 3 months	442	-	-	-
Over 3 months and up to 1 year	13	-	-	-
Over 1 year and up to 5 years	662	-	-	-
Over 5 years	14,291	5,360	-	-
Deposits, total	61,696	10,019	-	-
By type of deposit				
Demand deposits	46,288	4,643	-	-
Special forms of deposits	15,408	5,376	-	-
Deposits, total	61,696	10,019	-	-
Note 22 Other liabilities				
Various creditors	61,927	46,205	18,509	4,018
Negative fair values of derivatives etc.	353	8,931	-	-
Accrued interest and commissions	408	248	265	225
Buyback obligation, own shares	15,000	15,000	15,000	15,000
Other liabilities	40,506	43,147	2,534	4,565
Other liabilities, total	118,194	113,531	36,308	23,808
Various creditors include accounts with group enterprises worth				
	-	-	-	-
Note 23 Other provisions				
Other provisions concern bonuses relating to performance-based management fees/carried interest recognised in the income statement.				

NOTES

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Note 24 Contingent liabilities				
Guarantees etc.:				
Other guarantees (participation in the Danish Guarantee Fund for Depositors (Indskydergarantifonden))				
	596	537	-	-
Total guarantees etc.	596	537	-	-
Other contingent liabilities:				
Other liabilities (commitment to invest in capital funds)	90,114	63,416	89,717	62,969
Other contingent liabilities, total	90,114	63,416	89,717	62,969

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 2016 the jointly taxed entities have a current tax receivable of DKK 2,040,000 (31 December 2015: tax receivable of DKK 12,918,000).

The company has entered a tenancy agreement (effective from 1 April 2011) for the premises Gammeltorv 18. The agreement is terminable at six months' notice by either party. The landlord cannot terminate the tenancy until 1 October 2021.

Maj Bank A/S 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 total rent obligation in the non-terminable period is:

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
In year one	-	3,967	-	358
Total	-	3,967	-	358

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

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
In year one	1,211	964	-	-
Between one and five years	1,402	2,261	-	-
Total	2,613	3,225	-	-
Contingent liabilities, total	2,613	7,192	-	358

NOTES

DKK thousand	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Note 25 Own funds				
Shareholders' equity	515,746	358,411	515,746	358,411
Total tier 1 capital before primary deductions	515,746	358,411	515,746	358,411
Primary deductions				
Proposed dividend	(222,645)	-	(222,645)	-
Intangible assets	(10,199)	(11,737)	(82)	-
Deferred capitalised tax assets	(8)	-	(8)	(30)
Valuation based on prudence	(293)	(298)	(40)	(79)
Total common equity tier 1 capital after primary deductions	282,600	346,376	292,971	358,302
Total eligible capital	282,600	346,376	292,971	358,302

Own funds rose by DKK 44,503,000 when the reduction in capital was registered by Erhvervsstyrelsen (the Danish Business Authority) on 16 February 2017. The increase matched dividends allocated at DKK 4.9 per share of the 9,087,820 shares that were cancelled.

DKK thousand	Company activity	Equity interest	Shareholders' equity	Profit after tax
Note 26 Group overview				
Consolidated subsidiaries				
Fondsmæglerselskabet Maj Invest A/S, Copenhagen	Asset management company	100%	392,578	191,324
Maj Invest Equity A/S, Copenhagen	Alternative investment fund manager	100%	14,001	(4,721)
Danish Microfinance Partners Management ApS, Copenhagen	Private equity management	100%	98	3
Maj Bank A/S, Copenhagen	Bank	100%	77,431	(9,331)
Maj Invest Singapore Private Limited, Singapore	Consulting company	100%	(418)	(278)
Management Equity Vietnam I ApS, Copenhagen	Private equity management	100%	356	14
Maj Invest South America S.A., Lima, Peru	Consulting company	100%	975	65
Maj Invest Vietnam Management Consultancy LLC, Ho Chi Minh City, Vietnam	Consulting company	100%	1,712	429

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.

NOTES

Note 26 cont.

DKK thousand	Revenue	Full-time staff	Profit before tax	Tax
Geographical breakdown of subsidiaries				
Denmark	445,472	96	228,311	51,023
Vietnam	7,909	4	653	224
Peru	3,754	2	66	2
Singapore	-	3	(278)	-

No group enterprises have received subsidies in the financial reporting period.

Note 27 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. The chairman of the board of directors is the CEO of Chr. Augustinus Fabrikker Aktieselskab, which is a client of Fondsmæglerselskabet Maj Invest A/S as well as investor in some of the private equity funds, which the company provides investment advisory services to. All services are settled on an arm's-length basis.

Two directors and 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.

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.

Executive board members and/or companies that are considered related parties to such executive board members have bought shares in and utilised warrants in Maj Invest Holding A/S. With the exception of one director elected by the general meeting, all our directors bought shares in Maj Invest Holding A/S in 2016.

The shares acquired through the utilisation of warrants were bought at the fair values on the day of the issue of such warrants with the addition of the official discount interest rate computed on a monthly basis. Other shares in Maj Invest Holding A/S were acquired at their fair values on the day of acquisition.

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.

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 Aarhus C

Note 28 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 subsidia-

NOTES

Note 28 cont.

ries 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Interest rate risks (DKK thousand)	1,166	1,809	250	251
In % of year-end shareholders' equity	0.2%	0.5%	0.0%	0.1%
In % of year-end own funds	0.4%	0.5%	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 28 cont.

The widest framework is in listed equities and mutual funds to take into account our activities in Markets in Fondsmæglerselskabet Maj Invest A/S.

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.

31.12.2016	Group			Parent		
	DKK	In % of	In % of	DKK	In % of	In % of
<u>Equities etc. at fair value</u>	<u>thousand</u>	<u>year-end</u>	<u>year-end</u>	<u>thousand</u>	<u>year-end</u>	<u>year-end</u>
		<u>equity</u>	<u>own funds</u>		<u>equity</u>	<u>own funds</u>
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 and mutual fund units	11,382	2.2%	4.0%	7,216	1.4%	2.5%
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%

31.12.2015	Group			Parent		
	DKK	In % of	In % of	DKK	In % of	In % of
<u>Equities etc. at fair value</u>	<u>thousand</u>	<u>year-end</u>	<u>year-end</u>	<u>thousand</u>	<u>year-end</u>	<u>year-end</u>
		<u>equity</u>	<u>own funds</u>		<u>equity</u>	<u>own funds</u>
Mutual fund units in the trading portfolio	7,256	2.0%	2.1%	-	-	-
Listed equities outside the trading portfolio	56,434	15.7%	16.3%	13,892	3.9%	3.9%
Unlisted equities and mutual fund units	14,525	4.1%	4.2%	10,425	2.9%	2.9%
Holdings in private equity funds	31,094	8.7%	9.0%	31,014	8.7%	8.7%
Total equities etc. at fair value	109,309	30.5%	31.6%	55,331	15.4%	15.4%

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.

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Note 28 cont.

Exchange rate risks	Group		Parent	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Exchange rate risks (DKK thousand)*	3,412	2,785	2,876	2,593
In % of year-end shareholders' equity	0.7%	0.8%	0.6%	0.7%
In % of year-end own funds	1.2%	0.8%	1.0%	0.7%

*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 our own portfolios.

Credit risk

The group's credit risks 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.

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.

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.

We also regularly check 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.

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Note 28 cont.

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 2016 - 31 December 2016.

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 and the company's articles of association.
- 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 2016 and of the results of the parent's and the group's activities for the 2016 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, 2 March 2017

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

Klaus Bentin

Ken Bamberg Ernsten

Tomas Munksgard Hoff

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 2016, 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 under 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 2016, and of the results of the Group's and parent company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 consolidated financial statements and the parent company 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, 2 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant

Ole Karstensen
State Authorised
Public Accountant

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