

ALM. BRAND

Interim report the first half 2020

Alm. Brand A/S | Midtermolen 7 | DK-2100 Copenhagen
CVR no. 77 33 35 17



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Company information

Group companies

Alm. Brand is a listed Danish financial services group focusing on the Danish market. The group carries on non-life insurance, life insurance and banking activities.



Denmark's
4th largest insurer

Non-life Insurance is the group's core business, exclusively targeting the Danish market with a special focus on private customers, small and medium-sized enterprises, property owners and administrators, agricultural customers and the public sector.

Life insurance and
pension based on
personal advice

Life Insurance offers life insurance, pension savings and pension insurance with a particular focus on private individuals, owners and employees of small businesses, and farmers.

Helping customers
every day

Alm. Brand Bank has nationwide coverage and is focused on providing banking products and services to private customers and small and medium-sized enterprises, bond, equity and currency trading, private banking and asset management services as well as leasing of cars to private and commercial customers.

Alm. Brand Group

	DKKm	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
GROUP	Income					
	Non-life Insurance	1,358	1,337	2,719	2,650	5,365
	Life Insurance	361	392	785	984	1,850
	Banking	218	205	433	405	825
	Investment etc.	76	102	181	196	406
	Total income	2,013	2,036	4,118	4,235	8,446
	Profit/loss					
	Non-life Insurance	309	122	334	317	607
	Life Insurance	30	21	62	50	96
	Banking	43	15	35	31	67
	Other activities	-11	-13	-27	-28	-86
	Profit before tax excluding extraordinary costs	371	145	404	370	684
	Extraordinary costs	-	-	-	-	-115
	Profit/loss before tax	371	145	404	370	569
	Tax	-82	-22	-90	-71	-117
	Profit/loss after tax	289	123	314	299	452
	Total provisions for insurance contracts	24,348	23,552	24,348	23,552	23,593
	Consolidated shareholders' equity	4,856	4,534	4,856	4,534	4,576
	Total assets	42,645	41,993	42,645	41,993	41,798
	Average no. of employees	1,737	1,760	1,737	1,760	1,796
	Return on equity before tax (%) *)	31.5	12.4	17.1	15.7	14.8
	Return on equity after tax (%) *)	24.5	10.6	13.3	12.7	11.7

	DKKm	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
FINANCIAL RATIOS	Earnings per share	1.9	0.8	2.0	1.9	2.9
	Diluted earnings per share	1.9	0.8	2.0	1.9	2.9
	Net asset value per share	32	29	32	29	30
	Share price, end of period	64.3	57.7	64.3	57.7	59.2
	Price/NAV	1.47	2.00	2.04	2.00	2.00
	Average no. of shares (in thousands)	153,708	156,515	153,889	156,513	155,832
	No. of shares at end of period, diluted (in thousands)	153,905	156,815	153,719	156,815	154,588
	Average no. of shares, diluted (in thousands)	153,818	157,289	154,044	157,452	156,527
	Dividend per share	-	-	-	-	3.0
	No. of shares bought back (in thousands)	-	783	809	1,322	3,891
	Avg. price of shares bought back, DKK	-	59.1	57.3	57.3	56.0

*) The key ratios for FY 2019 have been calculated net of extraordinary costs totalling DKK 115 million before tax

All parts of the business developed favourably

Q2 PERFORMANCE

Alm. Brand generated a pre-tax profit of DKK 371 million in Q2 2020, against a profit of DKK 145 million in the year-earlier period. The profit reflected highly satisfactory performances in all three business areas, including Non-life Insurance in particular. The Q2 financial performance was also lifted by growing confidence in economic recovery, which triggered a favourable trend in the financial markets. The group was able to recover most of the unrealised losses in the investment area in Q2 2020

The realised profit equalled a return on equity of 31.5% p.a. before tax.

Like many other companies, Alm. Brand has been impacted by the follow-on effects of COVID-19. A generally lower level of activity, a deteriorated outlook for the Danish economy and changes in customer behaviour as a result of the lockdown of Danish society have affected the group's business areas in various ways. For example, Non-life Insurance in Q2 2020 experienced a slight positive effect from COVID-19 and the resulting lower level of claims reported, offsetting the impairment writedowns on loans made in Banking in Q1 2020 and resulting in a neutral overall effect of COVID-19 on the group's financial results.

Life Insurance and Banking reported satisfactory performances in line with expectations.

From an overall perspective, the changes implemented to unlock the full potential of Alm. Brand's strategy are seen to contribute as expected.

Non-life Insurance

Non-life Insurance reported a technical result of DKK 237 million in Q2 2020, against DKK 135 million in Q2 2019, reflecting a continued favourable trend in the underlying business, including a limited positive effect from COVID-19 and the resulting lower level of claims reported, and a better-than-expected weather-related and major claims experience as well as a positive run-off result. Gross premium income was up 1.6% relative to Q2 2019 to a total of DKK 1,358 million, and the combined ratio excluding run-off gains was 85.3. The performance was highly satisfactory and better than expected.

Towards the end of the quarter, the staged re-opening of Danish society made possible by down-trending COVID-19 infection rates resulted in a further normalisation of the claims experience for most of the group's insurance products.

The financial markets regained much of the ground lost in Q1, resulting in a gain of DKK 72 million and a pre-tax profit of DKK 309 million in Q2 2020, against a profit of DKK 122 million in Q2 2019.

Life Insurance

Life Insurance generated a pre-tax profit of DKK 30 million in Q2 2020, against DKK 21 million in Q2 2019. Total pension contributions amounted to DKK 361 million in Q2 2020, against DKK 392 million in Q2 2019, covering growth in regular premium payments of 1.7% relative to Q2 2019

to DKK 175 million and a reduction in single payments of 15.7% to DKK 186 million. The performance was satisfactory and in line with expectations.

The bonus rate was 13.0% at 30 June 2020, which was a year-to-date decline of 3.1 percentage points, but an improvement of 0.1 of a percentage point from Q1 2020. At 2.5%, the rate on policyholders' savings is still among the highest rates offered in the Danish market.

Banking

The bank's core earnings amounted to DKK 43 million before tax in Q2 2020, against DKK 15 million in Q2 2019, supported by higher net interest and fee income and lower costs as a result of the income and cost initiatives implemented earlier this year. The bank's pre-tax profit for Q2 2020 was also DKK 43 million, which was satisfactory and in line with expectations.

The bank did not in Q2 2020 identify any further need to make impairment writedowns due to COVID-19.

Other activities

Other business activities, consisting primarily of group expenses, performed in line with expectations. The Q2 performance was a pre-tax loss of DKK 11 million, against a loss of DKK 13 million in the same period of 2019.

HI PERFORMANCE

Alm. Brand posted a consolidated profit of DKK 404 million in H1 2020, as compared with a DKK 370 million profit in H1 2019. The performance equalled a return on equity of 17.1% p.a. before tax, which was satisfactory and better than expected.

All three business areas have developed satisfactorily during the first six months of the year, a period that placed great demands on adaptability and execution. Non-life Insurance reported a pre-tax profit of DKK 334 million, against DKK 317 million in H1 2019, Life Insurance generated a pre-tax profit of DKK 62 million, against DKK 50 million in H1 2019, and Banking generated a pre-tax profit of DKK 35 million, against DKK 31 million in H1 2019.

CAPITALISATION

Alm. Brand has defined a target for ordinary dividends corresponding to a payout ratio of at least 70% of the profit for the year after tax. The group's dividend distribution is aligned with planned activities, including investments and special risks.

The group's capitalisation level is considered sufficient to resist very severe stresses. The group's total capital including MREL capital in the bank was about DKK 6.0 billion at 30 June 2020, corresponding to an excess of close to DKK 3.5 billion relative to the aggregate capital requirement for the group, which consists of the solvency capital requirement of the insurance group and the MREL require-

ment of the bank. Alm. Brand has an excess of 239% relative to the solvency capital and MREL requirements, which means that the group stands well prepared to manage the risks associated with its activities.

Capitalisation

DKKm	Q2 2020	Q1 2020 *)
Total capital for the group (including MREL capital)*	6,016	5,285
Solvency capital and MREL requirements for the group	2,519	2,559
Excess relative to solvency capital and MREL requirements	3,497	2,726
Excess coverage ratio	239%	207%

*) Reduced by proposed dividends in respect of the 2019 financial year.

The excess relative to the group's solvency capital and MREL requirements increased by DKK 771 million in Q2 2020. This is due to the fact that the dividends previously proposed in respect of the 2019 financial year are now recognised under distributable reserves. Moreover, all three business areas reported favourable financial results in Q2 2020, lifting the group's total capital. At the same time, the group's solvency capital and MREL requirements dropped slightly over the quarter, among other things due to lower market risk in the bank.

MAJOR EVENTS

CEO of Alm. Brand A/S appointed

In company announcement no. 29 of 22 June 2020, the Board of Directors of Alm. Brand A/S announced that Rasmus Werner Nielsen had been appointed CEO after serving as interim CEO since autumn 2019.

MAJOR EVENTS AFTER THE BALANCE SHEET DATE

Annual general meeting of Alm. Brand A/S

In spring, Alm. Brand had to postpone its annual general meeting as a result of the general lockdown of society due to COVID-19.

On 5 August 2020, Alm. Brand issued a new notice to convene the annual general meeting for Friday, 28 August 2020. Referring to the recommendation of the European Systemic Risk Board that insurance companies refrain from making a dividend distribution or giving an irrevocable commitment to make a dividend distribution at least until 1 January 2021, the Board of Directors recommends to the shareholders in general meeting that the profit for 2019 be transferred to the company's distributable reserves.

Partnership with Volkswagen Semler Finans Danmark

On 10 August 2020, Alm. Brand announced that it had entered into a partnership with Volkswagen Semler Finans Danmark on the distribution of motor insurance through the distributor network of Denmark's largest car importer. The new partnership will open up a new sales channel for Alm. Brand and marks a significant supplement to the existing business. The partnership should be seen as part of a pro-active partnering strategy intended to create new growth.

OUTLOOK FOR 2020

Alm. Brand expects to generate a pre-tax profit of DKK 750-850 million excluding run-off result in the next two quarters. This is unchanged from company announcement no. 32/2020 of 31 July 2020, in which the guidance was upgraded from the previously guided range of DKK 550-700 million.

The group reported a highly satisfactory profit for Q2 2020, which included the effects of the changes implemented to unlock the full potential of Alm. Brand's strategy.

Accordingly, Alm. Brand revises its full-year guidance for Non-life Insurance to a pre-tax profit of about DKK 700 million excluding run-off result for H2 2020, against the previously guided pre-tax profit of DKK 500 million excluding run-off result. For Life Insurance, the guidance for a pre-tax profit of about DKK 100 million is maintained, while the guidance for Banking is revised to a pre-tax profit of about DKK 90 million, against a previously guided pre-tax profit of DKK 80 million. Other business activities are expected to report a loss of about DKK 60 million before tax. The full-year combined ratio is expected to be around 87-88%.

The guidance range is subject to greater-than-usual uncertainty due to the follow-on effects of COVID-19 on the investment result and impairment writedowns on loans in particular.

THE GROUP'S FINANCIAL TARGETS FOR 2022

In connection with the release of its 2019 financial statements, Alm. Brand introduced a number of financial targets for the period until 2022. Regardless of the current extraordinary situation caused by the macroeconomic effects of COVID-19, Alm. Brand maintains the financial targets announced. Accordingly, the ambition is to achieve:

- growth in Non-life Insurance defined as an average annual increase in regular premium payments of 3%;
- improved earnings in Non-life Insurance as expressed by a combined ratio of less than 90 and a gross expense ratio of about 16;
- improved earnings in Banking as expressed by a return on equity of at least 10% before amortisation of customer relationships and tax;
- annual growth in regular premium payments in Life Insurance of 7% on average.

In addition to the financial targets, Alm. Brand has defined non-financial targets in respect of customer and employee satisfaction. The target for customer satisfaction as expressed by the net promotor score is 70, while the target for employee satisfaction is a score of 80.

Non-life Insurance

	DKKm	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
INCOME STATEMENT	Gross premium income	1,358	1,337	2,719	2,650	5,365
	Claims expenses	-826	-895	-1,755	-1,704	-3,616
	Insurance operating expenses	-237	-245	-476	-481	-933
	Profit/loss on reinsurance	-58	-62	-120	-125	-246
	Technical result	237	135	368	340	570
	Interest and dividends, etc.	32	35	57	68	136
	Value adjustments	146	35	-9	116	44
	Administrative expenses related to investment activities	-6	-7	-14	-13	-27
	Return on and value adjustment of technical provisions	-100	-76	-68	-194	-116
	Investment return after return on and value adjustment of provisions	72	-13	-34	-23	37
	Profit before tax excluding extraordinary costs	309	122	334	317	607
	Extraordinary costs	-	-	-	-	-44
	Profit/loss before tax	309	122	334	317	563
Tax	-71	-27	-78	-71	-127	
Profit/loss after tax	238	95	256	246	436	

	DKKm	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
BALANCE SHEET	Run-off result, claims	37	45	63	83	77
	Run-off result, risk margin	15	20	29	35	65
	Technical provisions	7,961	7,851	7,961	7,851	7,375
	Insurance assets	140	132	140	132	148
	Shareholders' equity	2,445	2,237	2,445	2,237	2,426
	Total assets	11,422	10,892	11,422	10,892	10,721
FINANCIAL RATIOS	Gross claims ratio *)	60.8	66.9	64.5	64.3	67.4
	Net reinsurance ratio	4.3	4.6	4.5	4.7	4.6
	Claims experience *)	65.1	71.5	69.0	69.0	72.0
	Gross expense ratio *)	17.4	18.4	17.5	18.2	17.4
	Combined ratio *)	82.5	89.9	86.5	87.2	89.4
	Combined ratio excluding run-off result **)	85.3	93.3	88.8	90.3	90.8
	Combined ratio including extraordinary costs	82.5	89.9	86.5	87.2	90.2
	Return on equity before tax (%) *)	48.5	21.3	26.2	26.7	24.1
Return on equity after tax (%) *)	37.2	16.5	20.0	20.7	18.6	

*) The key ratios for FY 2019 have been calculated net of extraordinary costs totalling DKK 44 million before tax

***) The run-off result is stated exclusive of the risk margin share.

Non-life Insurance

Financial performance highly satisfactory and better than expected

Q2 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 309 million in Q2 2020, against a profit of DKK 122 million in Q2 2019, which was highly satisfactory and better than expected.

The performance reflected a continued favourable trend in the underlying business, including a small positive effect from COVID-19 and the resulting lower level of claims reported in April and May, a better-than-expected weather-related and major claims experience and a positive run-off result. At 30 June 2020, the claims frequency level had normalised further.

The technical result was DKK 237 million, against DKK 135 million in Q2 2019, equivalent to a combined ratio of 82.5. Net of run-off gains, the combined ratio was 85.3 in Q2 2020.

Combined ratio

	Q2 2020	Q2 2019	FY 2019
Combined ratio, underlying business *)	81.7	84.1	82.6
Covid-19 effect, estimated	-2.5	-	-
Combined ratio, underlying business *)	79.2	84.1	82.6
Weather-related claims, net of reinsurance	0.3	2.7	2.6
Major claims, net of reinsurance	5.9	6.8	5.7
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-2.8	-3.4	-1.4
Change in risk margin, run-off result and current year	-0.1	-0.3	-0.1
Combined ratio *)	82.5	89.9	89.4

*) FY 2019 is net of extraordinary costs in a total amount of DKK 44 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio

The underlying combined ratio improved by 4.9 percentage points year on year in Q2 2020. The improvement was primarily attributable to the effects of COVID-19, lower costs, continuing profitability-enhancing measures and changes in the discount rate as compared with the same period of 2019.

Premiums

Gross premiums amounted to DKK 1,358 million in Q2 2020, up 1.6% on the year-earlier period.

Premium income was adversely affected by partly the reduced need for insurance in the commercial customer segment due to COVID-19 and the resulting lower level of activity, partly the interest rate level, as negative discount rates are triggering expenses associated with advance payment of premium.

Customer loyalty as measured by the retention rate remained at a high level.

Claims experience

The claims experience for Q2 2020 was 65.1%, against 71.5% in Q2 2019, which was better than expected. Relative to Q2 2019, the claims experience was supported by lower expenses for minor claims due to COVID-19 and a temporary effect of the societal lockdown as well as by lower weather-related and major claims expenses.

Weather-related claims

There were almost no weather events in the second quarter of 2020. Weather-related claims net of reinsurance amounted to DKK 5 million – an exceptionally low level. By comparison, weather-related claims amounted to DKK 36 million in the year-earlier period. Weather-related claims

in Q2 2020 affected the combined ratio by 0.3 of a percentage point, which was significantly less than expected for the quarter.

Major claims

Net of reinsurance, major claims expenses totalled DKK 80 million in Q2 2020, against DKK 91 million in the same period of 2019. Expenses for major claims were lower than expected in Q2 2020. Major claims affected the combined ratio by 5.9 percentage points, against 6.8 percentage points in Q2 2019, which was better than the normal level of 7-8%.

Underlying business

The underlying claims ratio was 61.8%, which was better than expected and significantly better than in the same period of last year. The claims ratio was affected in particular by lower claims expenses in April and May as a result of the general lockdown of society. The subsequent re-opening has resulted in a gradual normalisation of the claims level.

In connection with COVID-19, there has been a change in behaviour as regards claims reporting and remediation, resulting in slightly greater uncertainty as to the individual claims. This change in behaviour has been taken into account in the determination of the level of claims provisions, and the total scope of uncertainty is not deemed to be material.

Run-off result

Net of reinsurance, the run-off result on claims was a gain of DKK 37 million, against DKK 45 million in Q2 2019, the Q2 2020 result being mainly attributable to personal accident, motor and workers' compensation claims.

Risk margin

The change in the overall risk margin lifted the Q2 performance by a net income of DKK 2 million, equivalent to an impact of 0.1 of a percentage point on the combined ratio. The amount is composed of a DKK 16 million income attributable to the run-off result and a DKK 14 million expense related to the building-up of risk margin on claims reported in Q2 2020. By comparison, the Q2 2019 result was affected by a net income of DKK 4 million, equivalent to 0.3 of a percentage point, which was made up of a DKK 20 million income attributable to the run-off result and a DKK 16 million expense related to claims reported in Q2 2019.

Costs

Total costs amounted to DKK 237 million in Q2 2020, equivalent to an expense ratio of 17.4. The Q2 cost level was in line with expectations. The expense ratio improved by 1.0 percentage point on Q2 2019, driven by the efficiency measures completed at the beginning of the year.

The FY 2020 expense ratio is expected to be around 17.

Net reinsurance ratio

The net reinsurance ratio was 4.3 in Q2 2020, against 4.6 in the same period of 2019.

Discounting

From 30 June 2019 to 30 June 2020, the yield curve used for discounting purposes saw a slight increase at the short end, with short-term yields remaining in negative territory. Technical provisions are affected the most by short-term yields due to the composition of expected premium payments and claims payouts. Overall, interest rate developments in Q2 2020 improved the combined ratio by 0.4 of a percentage point relative to the same period of 2019.

PRIVATE

The technical result was a profit of DKK 114 million in Q2 2020, against a DKK 71 million profit in Q2 2019.

The combined ratio was 83.4, which was somewhat better than expected and 6.1 percentage points below the year-earlier level. Relative to expectations, the result was favourably affected by exceptionally few expenses for weather-related claims, by fewer minor claims and by run-off gains.

Gross premiums amounted to DKK 688 million in Q2 2020, which was slightly below the expected level. As compared with the year-earlier period, income was DKK 17 million higher in the second quarter of the year, corresponding to an increase of 2.6%.

The customer retention rate remained at a high level.

The claims experience excluding run-off gains on claims was 67.9%, against 72.4% in Q2 2019.

Expenses for weather-related claims totalled DKK 1 million net of reinsurance, against DKK 12 million in Q2 2019, affecting the combined ratio by 0.2 of a percentage point, which was significantly below expectations.

Expenses for major claims totalled DKK 17 million net of reinsurance, against DKK 15 million in Q2 2019, and affected the combined ratio by 2.5 percentage points, against 2.2 percentage points in Q2 2019. Expenses were lower than expected in Q2 2020.

The underlying claims ratio was 65.3 in Q2 2020, against 68.4 in the year-earlier period, which was better than expected, being favourably affected in particular by a lower level of expenses on contents and motor insurance and in personal insurance lines.

Private

DKKm	Q2 2020	Q2 2019	FY 2019
Gross premium income	688	672	2,695
Gross claims expenses	-435	-450	-1,774
Insurance operating expenses	-126	-136	-516
Profit/loss on reinsurance	-13	-15	-59
Technical result	114	71	346
Run-off result, claims	20	21	91
Run-off result, risk margin	6	7	26
Gross claims ratio *)	63.1	67.0	65.8
Net reinsurance ratio	1.9	2.3	2.2
Claims experience *)	65.0	69.3	68.0
Gross expense ratio *)	18.4	20.2	19.2
Combined ratio *)	83.4	89.5	87.2
Combined ratio, underlying business *)	83.7	88.6	87.0
Weather-related claims, net of reinsurance	0.2	1.9	1.6
Major claims, net of reinsurance	2.5	2.2	2.1
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-2.9	-3.1	-3.4
Change in risk margin, run-off result and current year	-0.1	-0.1	-0.1
Combined ratio *)	83.4	89.5	87.2

*) FY 2019 is net of extraordinary costs in a total amount of DKK 21 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio

In particular, the frequency of burglaries in private homes and the frequency of fall and sports injuries were significantly lower in April and May 2020 than in the same months of previous years, but as society gradually re-opened, the frequency of these claims normalised further.

Especially in travel insurance lines, Alm. Brand has in connection with COVID-19 offered customers coverage beyond the terms of their insurance and has, by way of an extraordinary measure and on certain conditions, offered coverage of cancelled air tickets and prepaid deposits on holidays to be taken at a later time. The measures have resulted in higher claims expenses, primarily in the second quarter, but as foreign travel activity remained at a low level, the claims level for travel insurance was overall slightly below normal.

Run-off gains on claims net of reinsurance amounted to DKK 20 million in Q2 2020, against DKK 21 million in Q2 2019. The 2020 run-off result was mainly attributable to gains on personal insurance lines.

The expense ratio was 18.4 in Q2 2020, which was slightly better than expected and an increase of 1.8 percentage points relative to Q2 2019.

The net reinsurance ratio was 1.9 in Q2 2020, which was lower than in Q2 2019.

COMMERCIAL

The technical result amounted to a profit of DKK 123 million in Q2 2020, against a profit of DKK 64 million in the year-earlier period. The higher result was mainly driven by exceptionally few weather-related claims and fewer major and minor claims in Q2 2020 compared with the year-earlier period.

The combined ratio was 81.6, which was better than expected and highly satisfactory.

Gross premium income amounted to DKK 670 million in Q2 2020, marking a year-on-year improvement of DKK 4 million or 0.6%. The performance was somewhat below the expected level and generally not satisfactory, but should be seen in the light of the COVID-19 pandemic. Premiums on workers' compensation insurance have been adjusted in connection with redundancies at employers so as to reflect the actual workforce, and a number of customers have obtained offers for vehicle downtime insurance. The general expectation of weaker economic growth in Denmark and a decline in GDP is also expected to affect gross premium income for the rest of the year.

Customer loyalty as measured by the retention rate remained at a high and stable level in a highly competitive commercial insurance market.

The claims experience excluding run-off gains on claims was 67.8%, against 77.5% in Q2 2019.

Weather-related claims totalled DKK 3 million net of reinsurance, against DKK 24 million in Q2 2019, which was unusually low and affected the combined ratio by 0.5 of a percentage point, against 3.6 percentage points in Q2 2019.

Major claims totalled DKK 63 million net of reinsurance, against DKK 76 million in Q2 2019, and impacted the combined ratio by 9.4 percentage points, against 11.4 percentage points in 2019. Major claims were below the level ex-

Commercial

DKKm	Q2 2020	Q2 2019	FY 2019
Gross premium income	670	665	2,670
Gross claims expenses	-391	-445	-1,842
Insurance operating expenses	-111	-109	-417
Profit/loss on reinsurance	-45	-47	-187
Technical result	123	64	224
Run-off result, claims	18	24	-14
Run-off result, risk margin	9	13	39
Gross claims ratio *)	58.4	66.8	69.0
Net reinsurance ratio	6.7	7.1	7.0
Claims experience *)	65.1	73.9	76.0
Gross expense ratio *)	16.5	16.5	15.6
Combined ratio *)	81.6	90.4	91.6
Combined ratio, underlying business *)	74.5	79.6	78.3
Weather-related claims, net of reinsurance	0.5	3.6	3.6
Major claims, net of reinsurance	9.4	11.4	9.4
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-2.7	3.6	0.5
Change in risk margin, run-off result and current year	-0.2	-0.6	-0.2
Combined ratio *)	81.6	90.4	91.6

*) FY 2019 is net of extraordinary costs in a total amount of DKK 23 million, equivalent to an impact of 0.9 of a percentage point on the combined ratio

pected for Q2 2020 in terms of both amount and number, and none of the major claims reported were large enough to trigger compensation under the reinsurance covers.

The underlying claims ratio was 58.0 in Q2 2020, which was better than expected and significantly better than the 63.1 reported for Q2 2019. The claims ratio was favourably affected by fewer payouts on commercial building and contents insurance claims as a result of a lower burglary frequency, but adversely affected by an increase in motor insurance liability claims.

For building insurances in the residential segment, Alm. Brand has, over an extended period and also in the second quarter, completed measures to restore profitability in this customer segment. Alm. Brand will continue its ongoing assessment of the market for insurance of multi-storey buildings, and the profitability-enhancing measures are expected to continue until the portfolio has reached an acceptable profitability level.

Run-off gains on claims net of reinsurance amounted to DKK 18 million in Q2 2020, against DKK 24 million in Q2 2019.

The 2020 run-off result was to a large extent attributable to gains on workers' compensation and motor insurance.

The expense ratio was 16.5 in Q2 2020, which was on a par with Q2 2019.

The net reinsurance ratio was 6.7 in Q2 2020, against 7.1 in Q2 2019.

INVESTMENT RESULT

The investment result was a gain of DKK 72 million in Q2 2020, against a loss of DKK 13 million in the same period of 2019.

In Q2 2020, the investment return was favourably affected by the staged re-opening of societies following the COVID-19 lockdown. Supported by renewed confidence in economic recovery, risk appetite in the financial markets quickly returned, lifting in particular equity and credit markets. In Q2 2020, Non-life Insurance slightly increased the strategic exposure to shares and credit bonds.

The investment assets are distributed on Danish and international bonds, mortgage deeds and equities and a small portfolio of properties. The overall goal is to achieve a satisfactory combination of return and market risk. The financial risk is adjusted using derivative financial instruments.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve plus a volatility adjustment (the "VA premium").

Investment return

DKKm	Q2 2020			Q2 2019		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	9,220	119	1.3%	8,969	61	0.7%
Mortgage deeds etc.	720	-1	-0.2%	883	3	0.3%
Equities	353	60	22.4%	217	6	3.8%
Properties	44	0	0.5%	13	0	1.8%
Total return on investments	10,337	178	1.7%	10,082	70	0.7%
Administrative expenses related to investment activities		-6			-7	
Return on and value adjustment of technical provisions		-100			-76	
Net investment return		72			-13	

H1 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 334 million in H1 2020, as compared with a DKK 317 million profit in H1 2019, which was highly satisfactory.

The performance was supported by significantly fewer expenses for major claims than expected and by slightly fewer-than-expected expenses for weather-related claims and minor claims. The performance was also impacted by a negative investment result, reflecting substantial financial market volatility during the period as a result of the COVID-19 pandemic. As compared with H1 2019, the H1 2020 performance was lifted by slightly fewer expenses for weather-related claims and minor claims, but adversely affected by a higher level of expenses for major claims and fewer run-off gains.

Combined ratio

	H1 2020	H1 2019	FY 2019
Combined ratio, underlying business *)	82.6	83.3	82.6
Covid-19 effect, estimated	-1.1	-	-
Combined ratio, underlying business *)	81.5	83.3	82.6
Weather-related claims, net of reinsurance	2.2	2.4	2.6
Major claims, net of reinsurance	4.8	4.6	5.7
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-2.3	-3.1	-1.4
Change in risk margin, run-off result and current year	0.3	0.0	-0.1
Combined ratio *)	86.5	87.2	89.4

*) FY 2019 is net of extraordinary costs in a total amount of DKK 44 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio

The technical result was a profit of DKK 368 million, against DKK 340 million in H1 2019, equivalent to a combined ratio of 86.5, against 87.2 in H1 2019.

Premium income amounted to DKK 2,719 million in H1, against DKK 2,650 million in the year-earlier period. This year-on-year increase of 2.6% was slightly below the expected level. Weaker growth was recorded in the commercial customer segment in particular.

Weather-related claims were DKK 59 million net of reinsurance, against DKK 65 million in H1 2019. H1 2020 was impacted by a very rainy winter and a single minor wind-storm followed by a spring with almost no weather events. Overall, the first six months of the year saw slightly fewer weather-related claims as compared with expectations at the beginning of the year. Weather-related claims affected the combined ratio by 2.2 percentage points, against 2.4 percentage points in H1 2019.

Major claims totalled DKK 132 million in H1 2020, against DKK 122 million in H1 2019. In spite of the increase, the level of major claims was somewhat below the level expected for the first half-year. Overall, major claims expenses affected the combined ratio by 4.8 percentage points, against 4.6 percentage points in H1 2019, which was better than the expected range of 7-8 percentage points.

The combined ratio of the underlying business was 81.5, against 83.3 in H1 2019. The H1 2020 period was affected by COVID-19, which initially had an adverse effect due to an increase in travel insurance cancellation claims, but later on – after large parts of society had been locked down – the claims scenario changed with fewer burglary and accident insurance claims but more motor insurance

liability claims. Moreover, the underlying business was adversely affected by an increase in expenses for workers' compensation and building insurance claims in H1 2020.

The run-off result on claims net of reinsurance was a gain of DKK 63 million, against DKK 83 million last year. The 2020 run-off result was mainly attributable to accident and motor insurance. As expected, the level of run-off gains was generally lower than in previous years.

The change in the overall risk margin was an expense of DKK 8 million in H1 2020, against a break-even result in H1 2019.

The expense ratio was 17.5 in H1 2020, against 18.2 in the same period of 2019, which was in line with expectations.

The investment result after interest on technical provisions was a loss of DKK 34 million in H1 2020, against a loss of DKK 23 million in the year-earlier period. The 2020 investment result was favourably affected by an increase in the portfolio of shares and credit bonds in the second quarter. Moreover, the result was affected by the sudden slowdown in Q1 2020 and renewed confidence in economic recovery in Q2 2020.

CAPITALISATION

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 989 million at 30 June 2020, against DKK 984 million at 30 June 2019.

The total capital for coverage of the solvency capital requirement was DKK 3,769 million, an excess cover of DKK 2,780 million relative to the solvency capital requirement.

At 30 June 2020, shareholders' equity allocated to Non-life Insurance was DKK 2,445 million.

MAJOR EVENTS

COVID-19

The consequences of COVID-19 impacted financial results and business-related initiatives in Non-life Insurance in a number of respects throughout the second quarter. In addition to the direct effect on the investment result and the technical result, Non-life Insurance took a number of steps in continuation of the recommendations issued by the Danish authorities.

The number of reported travel insurance claims for a period increased tenfold relative to normal levels, and at times temporary staff had to be recruited to ensure that our customers could get help quickly and have a good experience. After having recorded a very high number of claims on cancellation coverage at the end of the first quarter and the beginning of the second quarter, this type of claim has now dropped to a very low level. As more Danes chose to stay in Denmark for their summer holidays, fewer claims are expected in relation to e.g. hospitalisation and lost luggage. All other things being equal, this will push the level of travel insurance claims in the summer months below normal.

Based on the negative economic growth in society and the general situation facing the business sector, a number of commercial customers have been offered to change their premium payments to monthly payments to improve liquidity. In addition, a number of scheduled price adjustments and other profitability measures have been put on hold for a period, and the terms for vehicle downtime insurance have been eased.

On 21 April 2020, COVID-19 was officially recognised as an industrial injury by the Danish Ministry of Employment and Labour Market Insurance (Arbejdsmarkedets Erhvervssikring). At 30 June 2020, Alm. Brand had received three claims, and workers' compensation claims due to COVID-19 are not expected to significantly affect Alm. Brand's future results.

The long-term consequences of the virus outbreak remain subject to great uncertainty in terms of e.g. a potential later increase in the spread of the virus, changed recommendations as to lockdown of/restrictions on activities in society, the extent and duration of a recession and increased use of distance working. The consequences may affect both the results of Alm. Brand's core business and the investment result.

BUSINESS-RELATED EVENTS

Coverage of air tickets through travel insurance

On 1 May 2020, Alm. Brand as the first company in Denmark chose to offer customers coverage of claims through their travel insurance in addition to what is coverable under the policy. Alm. Brand's customers were offered a refund of air ticket expenses for cancelled travels, against Alm. Brand taking over the relevant customers' claims against the airlines. The initiative has prompted a high level of customer satisfaction and also prompted praise from the Danish Consumer Council. Several other insurance companies have subsequently introduced similar offers for their customers.

Life Insurance

	DKKkm	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019	
INCOME STATEMENT	Regular premiums	175	172	422	405	803	
	Single payments	186	220	363	579	1,047	
	Premiums	361	392	785	984	1,850	
	Investment return after allocation of interest	574	289	213	862	1,131	
	Benefits paid	-316	-243	-711	-523	-1,034	
	Total insurance operating expenses	-25	-25	-55	-51	-101	
	Result of ceded business	0	0	-1	-1	-4	
	Change in life insurance provisions	-555	-445	-152	-1,236	-1,813	
	Change in profit margin	-13	54	-17	14	70	
	Technical result	26	22	62	49	99	
	Return on investment allocated to equity	4	-1	0	1	-3	
	Profit before tax excluding extraordinary costs	30	21	62	50	96	
	Extraordinary costs	-	-	-	-	-5	
	Profit/loss before tax	30	21	62	50	91	
	Tax	-7	3	-14	-3	-9	
	Profit/loss after tax	23	24	48	47	82	
	Return requirement for shareholders' equity						
	Return on investment allocated to equity	4	-1	0	1	-3	
	Result of portfolios without bonus entitlement	0	1	0	5	5	
Gruppeliv	4	3	7	6	12		
Interest result	12	7	24	14	29		
Expense result	2	2	3	6	9		
Risk result	8	9	28	18	44		
Profit before tax excluding extraordinary costs	30	21	62	50	96		
Extraordinary costs	-	-	-	-	-5		
Profit/loss before tax	30	21	62	50	91		

	DKKkm	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
BALANCE SHEET	Total provisions for insurance contracts	16,387	15,701	16,387	15,701	16,218
	Total shareholders' equity	651	591	651	591	626
	Total assets	17,999	16,856	17,999	16,856	18,239
FINANCIAL RATIOS	Return on equity before tax (%) *)	18.2	13.5	18.9	15.9	15.6
	Return on equity after tax (%) *)	14.2	16.0	14.8	15.0	13.9
	Bonus rate (%)	13.0	13.7	13.0	13.7	16.1

*) The key ratios for FY 2019 have been calculated net of extraordinary costs totalling DKK 5 million before tax

Life Insurance

Satisfactory performance driven by interest rate result

Q2 PERFORMANCE

Alm. Brand Liv og Pension A/S reported a satisfactory pre-tax profit for Q2 2020 of DKK 30 million, against DKK 21 million in Q2 2019.

In Q2 2020, the expense and risk result was DKK 10 million, against DKK 11 million in the same period of 2019, which was extremely satisfactory, driven by a continued strong risk result.

The interest rate result increased to DKK 12 million in Q2 2020, from DKK 7 million in Q2 2019, which was also a satisfactory performance.

At 30 June 2020, the bonus rate was 13.0%, a small increase from 31 March 2020. The increase was mainly due to the fact that equity markets have recovered much of the ground lost in the wake of the initial reaction to COVID-19. The bonus rate remained satisfactory, ensuring that Alm. Brand Pension may continue to offer competitive rates on policyholders' savings.

The company's total assets under management grew by 4.4% year on year to stand at DKK 16.4 billion at 30 June 2020.

Pension contributions

Payments into guaranteed schemes

Premiums totalled DKK 361 million in Q2 2020, against DKK 392 million in the year-earlier period. This figure covers an increase in regular premiums of 1.7% and a decline in single payments of 15.7%.

The reason for the decline in single payments is a combination of restraint due to uncertainty triggered by COVID-19 and a lower rate on policyholders' savings in 2020 than in 2019. The decline in single payments was due to transfers to market rate products, which are sold through the bank, for a neutral effect on the group as a whole.

The corporate customer segment remains the company's primary growth driver. Growth in the corporate customer segment was driven by several strategic initiatives that have contributed to supporting developments. These include easier access for customers through digitalisation of the underwriting process. Moreover, the company has adjusted prices on selected products with a view to improving its competitive strength.

Benefits paid

Total benefits paid amounted to DKK 316 million in Q2 2020, against DKK 243 million in the same period of 2019,

which was largely attributable to an increase in surrenders, among other things due to the rate on policyholders' savings being lower in 2020 than in 2019.

Risk result

Net of reinsurance, the risk result, which expresses the difference between risk premiums charged and actual claims expenses, was an income of DKK 8 million in Q2 2020, which was on a par with the same period of 2019. The risk result is still among the best in the industry.

Costs

Acquisition costs and administrative expenses totalled DKK 25 million in Q2 2020, which was on a par with Q2 2019 and slightly below expectations. The fact that costs have remained stable in spite of the company's decent growth in recent years is highly satisfactory.

Expense result

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 2 million, which was on a par with the year-earlier period. The result was satisfactory considering that Alm. Brand Pension has some of the industry's lowest costs for average rate products (see APR listed on the industry comparison portal, "*Fakta om pension*" ("Facts about pension")).

Investment return on policyholders' funds

Supported by renewed confidence in economic recovery, the financial markets were characterised by buoyant trends in the second quarter. In particular equity and credit markets rallied in the second quarter on the back of the plunges seen in the first quarter of the year.

The investment return on policyholders' funds (before pension return tax) was a gain of DKK 685 million in Q2 2020, distributed on a gain of DKK 322 million on the interest-bearing part of the portfolio and a gain of DKK 346 million on equities. The property portfolio generated a return of DKK 17 million in Q2 2020.

Despite market volatility, Alm. Brand maintained its equity and credit exposures in the second quarter, which means that most of the Q1 loss has been recovered. The total year-to-date return was attributable in particular to interest rate hedging of provisions.

Investment return

DKKm	Investment assets	Return Q2 2020	Return Q2 2019
Bonds	13,873	2.4%	2.3%
Equities	1,844	23.4%	2.8%
Properties	1,717	1.0%	1.3%
Total	17,434	4.1%	2.2%

Life insurance provisions

Total life insurance provisions increased by DKK 555 million to DKK 16.0 billion in Q2 2020. The increase was primarily attributable to the excellent investment return as well as to a continued net inflow of pension funds during the period.

Bonus rate

The total bonus rate was 13.0% at 30 June 2020, a slight increase relative to 31 March 2020. The bonus rate remained satisfactory in light of the very low interest rate setting. New policyholders are placed in interest rate group A, which had a bonus rate of 13.5% at 30 June 2020.

Almost 12% of the portfolio is placed in high interest rate groups (interest rate groups 2 and 3), which pursue an investment strategy based on a substantial share of bonds and financial instruments with a view to striking a healthy balance between the groups' investments and liabilities.

The table below shows the current rates on policyholders' savings, bonus rates, returns and a breakdown of policyholders' investment assets on the five interest rate groups into which the portfolio of policies with bonus entitlement is divided.

	Interest rate group A	Interest rate group 0	Interest rate group 1	Interest rate group 2	Interest rate group 3	Total
Technical rate of interest (% p.a.)	-0.48-0.52	0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Investment assets (DKKbn)	11.9	1.6	1.0	1.0	1.9	17.4
Rate on policyholders' savings 2020 (% p.a.)	2.50	2.50	5.50	5.50	6.00	
Bonus rate (%)	13.5	9.7	18.0	10.2	12.4	13.0
Return (% YTD annualised)	-0.7	2.3	7.7	1.4	1.1	3.4
Distribution of investment assets (%):						
Bonds	77	84	77	89	90	80
Equities	12	8	12	5	5	10
Properties	11	8	11	6	6	10

H1 PERFORMANCE

Life Insurance posted a pre-tax profit of DKK 62 million in H1 2020, an increase of DKK 12 million relative to H1 2019. The performance was highly satisfactory.

The expense and risk result was DKK 31 million, against DKK 24 million in H1 2019, which was extremely satisfactory, driven among other things by a favourable trend in the risk experience for disability covers. The favourable trend in disability risk was attributable to increased use of distance working during the COVID-19 lockdown period.

In addition, a positive interest rate result of DKK 24 million was reported for H1 2020, which was DKK 10 million higher than in the same period of 2019.

Total payments amounted to DKK 785 million in H1 2020, which was 20.2% lower than in H1 2019. The decline was due exclusively to many single contributions made in 2019

triggered by the high rate on policyholders' savings, as regular payments increased by 4.1% in H1 2020.

Benefits paid amounted to DKK 711 million, against DKK 523 million in H1 2019. This was due to an increase in surrenders, among other things as a result of a lower rate on policyholders' savings in 2020.

Insurance operating expenses amounted to DKK 55 million, marking an increase of DKK 4 million relative to the year-earlier period. The increase was the result of a change in the allocation of group expenses between the individual business areas. The expense result was a profit of DKK 3 million in H1 2020, which was slightly lower than in H1 2019.

The investment return on policyholders' funds was DKK 266 million (before pension return tax), corresponding to a return of 1.7%, and was favourably affected by the drop in long-term yields, but adversely affected by equity market developments due to the COVID-19 situation.

The technical result was DKK 61 million in H1 2020, against DKK 49 million in H1 2019.

CAPITALISATION

The solvency capital requirement of Alm. Brand Liv og Pension A/S amounted to DKK 147 million at 30 June 2020, against DKK 143 million at the year-earlier date.

The total capital for coverage of the solvency capital requirement was DKK 1,114 million at 30 June 2020, an excess cover of DKK 967 million relative to the solvency capital requirement. The company's solvency capital requirement is quite low as a result of the decent bonus potentials at 30 June 2020.

Equity allocated to Life Insurance was DKK 651 million at 30 June 2020.

MAJOR EVENTS

COVID-19

COVID-19 has had an impact on several areas of the pensions business. Many customers have become more reluctant to set up new agreements, and payments into existing schemes have to a certain extent been put on hold. Moreover, substantial financial market volatility has led to an increased focus on investment optimisation and risk management. In that context, customers will be pleased to note that they still receive a rate on policyholders' savings of between 2.5% and 6.0% on their pension schemes during these uncertain times.

Banking

	DKKkM	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
INCOME STATEMENT	Net interest income	60	56	116	114	224
	Net fee income	39	32	79	62	141
	Net interest and fee income	99	88	195	176	365
	Trading income	56	50	93	98	202
	Leasing	14	19	36	40	75
	Other income	14	17	23	22	64
	Total income	183	174	347	336	706
	Costs	-140	-159	-288	-310	-622
	Core earnings	43	15	59	26	84
	Investment portfolio earnings	-7	-12	-21	-19	-60
	Profit/loss before depreciation, amortisation and impairment losses	36	3	38	7	24
	Amortisation, customer relationships	-8	-8	-16	-16	-32
	Impairment of loans	15	20	13	40	75
	Profit before tax excluding extraordinary costs	43	15	35	31	67
	Extraordinary costs	-	-	-	-	-51
	Profit/loss before tax	43	15	35	31	16
Tax	-6	-1	-4	-4	-4	
Profit/loss after tax	37	14	31	27	12	

	DKKkM	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
BALANCE SHEET	Loans and advances	4,945	4,800	4,945	4,800	4,960
	Deposits	10,088	11,112	10,088	11,112	10,824
	Shareholders' equity	1,926	1,910	1,926	1,910	1,896
	Total assets	13,222	13,990	13,222	13,990	13,470
FINANCIAL RATIOS	Interest margin (%)	2.5	2.3	2.3	2.3	2.2
	Income/cost ratio	1.25	1.08	1.09	1.08	1.02
	Impairment ratio for the period	-0.2	-0.2	-0.3	-0.5	-0.8
	Total capital ratio	21.8	20.5	22.2	20.5	20.0
	Return on equity before tax (%) *)	9.0	3.0	3.6	3.1	3.4
	Return on equity after tax (%) *)	7.7	2.9	3.2	2.7	2.7

*) The key ratios for FY 2019 have been calculated net of extraordinary costs totalling DKK 51 million before tax

Banking

Core earnings improved as a result of income and cost initiatives

Q2 PERFORMANCE

In Q2 2020, the bank reported improved core earnings as a result of higher net interest and fee income and lower costs. In connection with the preparation of its financial statements for the three months ended 31 March 2020, the bank made an impairment writedown on loans of DKK 30 million related to the macroeconomic uncertainty triggered by COVID-19, and developments in the second quarter did not give rise to any further impairment writedowns.

The bank's core earnings increased to DKK 43 million in Q2 2020, from DKK 15 million in Q2 2019, a satisfactory increase of DKK 28 million.

The bank's pre-tax profit for Q2 2020 was DKK 43 million, which amount included a DKK 7 million loss on the investment portfolio related to investment of the bank's substantial excess liquidity and a DKK 15 million reversal of impairment writedowns on loans primarily affecting agricultural customers.

Income

The bank's income amounted to DKK 183 million in Q2 2020, against DKK 174 million in Q2 2019, marking a year-on-year increase of DKK 9 million or 6%.

Net interest and fee income amounted to DKK 99 million in Q2 2020, up by DKK 11 million from DKK 88 million in Q2 2019. The positive trend was primarily attributable to the initiatives completed on the income side, including the introduction of negative interest rates and fee changes for

private customers. The DKK 11 million increase was composed of a DKK 4 million increase in net interest income and a DKK 7 million increase in net fee income.

Trading income totalled DKK 56 million in Q2 2020, against DKK 50 million in the same period of last year. The renewed positive sentiment in the financial markets resulted in both a positive investment result driven in particular by a narrowing of the credit spread on mortgage bonds and a sustained high level of customer trading activity.

Leasing reported net income of DKK 14 million in Q2 2020, against DKK 19 million in the same period of last year, which was in line with expectations and reflected that the partial lockdown of society triggered a slowdown in demand for new cars and delays in the delivery of cars from the manufacturers. This will expectedly lead to a reduction in the leasing portfolio until the market has returned to normal.

Other operating income is primarily composed of value adjustments on strategic shareholdings. The bank generated a profit of DKK 15 million in Q2 2020, against DKK 17 million in Q2 2019.

Costs

Costs were DKK 19 million lower at DKK 140 million in Q2 2020, against DKK 159 million in Q2 2019. The favourable development was primarily attributable to the efficiency measures completed as announced in connection with the release of the 2019 financial statements.

Investment portfolio earnings

Investment portfolio earnings amounted to a loss of DKK 7 million in Q2 2020, against a loss of DKK 12 million in Q2 2019. The performance reflected an unchanged interest rate environment and a sustained high deposit surplus in the bank, which was offset by higher net interest income, however.

Impairment writedowns

In Q2 2020, the bank made a management estimate of DKK 30 million to cover any credit-related consequences of COVID-19. Developments in the second quarter did not give rise to any further provisions. In Q2 2020, the bank made a DKK 15 million reversal of impairment writedowns on loans previously made in the agricultural and private customer segments.

DKK 5 million of the reversed impairment writedowns related to interest income from loans written down.

Impairment writedowns^{b)}

DKKm	Q2 2020	Q2 2019
Loans and advances		
Private	6	7
Commercial	1	4
Agriculture	13	13
Loan impairment charges	20	24
Mortgage deed option agreement ^{a)}	-5	-4
Total impairment writedowns	15	20

^{a)} The impairment writedowns include credit-related value adjustments of mortgage deeds ^{b)} Positive figures represent income

Business volume

The bank's business volume, covering bank loans, mortgage lending and leasing activities, fell slightly in Q2 2020 to DKK 22.8 billion at 30 June 2020, which was unchanged from 31 December 2019. The bank's loans and advances amounted to DKK 4.9 billion at 30 June 2020, which was also on a par with 31 December 2019. The performance is a reflection of an unchanged repayment pattern for bank loans and sustained moderate demand for new bank loans, due in part to favourable mortgage credit financing options. The volume of Totalkredit loans was DKK 16.9 billion, which was on a par with 31 December 2019.

Credit exposure after writedowns

DKKm	Share of portfolio in %	30 June 2020	31 March 2020	31 Dec. 2019
Loans and advances				
Private	64	3,660	3,664	3,694
Commercial	18	1,001	958	935
Agriculture	1	74	78	85
Total loans and advances	83	4,735	4,700	4,714
Mortgage deed option agreement	13	720	759	803
Reverse transactions and intra-group exposures	4	210	328	246
Total credit exposure	100	5,665	5,787	5,763

Retail

In Q2 2020, the bank's retail business developed satisfactorily, reporting an earnings improvement driven by the completed interest rate and fee changes, the majority of which were aimed at the private customer segment. The

changes are furthermore seen to have reduced the size of private customer deposits, and a part of these deposits were instead placed in savings products.

In connection with the COVID-19 crisis, Alm. Brand changed its customer service model to digital meetings. During the lockdown period, the bank gained a lot of positive experience that may be used to assess a future service model, and it was subsequently chosen that the bank should only be open physically to commercial and private customers with scheduled meetings but not to customers with unscheduled meetings.

Leasing

The leasing portfolio totalled DKK 927 million at 30 June 2020, distributed on approximately 8,000 cars. Like the lending market, the leasing market is characterised by being extremely competitive, and the market is generally under pressure from difficult conditions triggered by COVID-19.

Agriculture

In spite of a fall in settlement prices in Q2 2020, pig breeders overall achieved a price level in line with the average 2019 prices. The bank has previously recognised substantial impairment of loans granted to agricultural customers, and at 30 June 2020 net lending consequently only amounted to DKK 74 million relative to gross lending of DKK 365 million.

Wealth Management

The bank's asset management and securities trading division, Wealth Management, continued to see an inflow of new customers and funds into the asset management products OpsparingPlus and IndexPlus. Trading activity among the bank's customers was brisk, resulting in satisfactory earnings from the Alm. Brand Trader platform.

Deposits

The bank had deposits of DKK 10.1 billion at 30 June 2020, against DKK 10.8 billion at 31 December 2019. Accordingly, total deposits declined in continuation of the introduction of negative interest rates for private customers, and some of this decline was placed in the bank's investment products instead. Combined with only minor changes in total bank lending, the changes in deposits mean that the bank still has a considerable deposit surplus of about DKK 5.2 billion. Following the recently announced interest rate changes, about DKK 6 billion of the bank's deposit portfolio will be subject to negative interest rates.

H1 PERFORMANCE

The bank generated a total pre-tax profit of DKK 35 million in H1 2020, against a profit of DKK 31 million in the year-earlier period.

Net interest and fee income for H1 2020 amounted to DKK 195 million, up by 11% from DKK 176 million in H1 2019. As a consequence of the sustained negative interest rate setting, Alm. Brand at the beginning of the year introduced new account fees and negative interest rates on deposits for private customers as well, and the growth reported was mainly driven by these changes.

Leasing reported income of DKK 36 million, against DKK 40 million in the same period of last year. The leasing market was hit by the follow-on effects of the COVID-19 pandemic, including weaker demand from customers and delays in car manufacturer deliveries.

Other income amounted to DKK 23 million, which was on a par with H1 2019. This item among other things contained value adjustments of strategic shareholdings.

Costs totalled DKK 288 million, against DKK 310 million in the same period of last year. The lower cost level was mainly due to the efficiency measures completed at the end of January 2020.

Investment portfolio earnings were a loss of DKK 21 million, against a loss of DKK 19 million in H1 2019. This loss was predominantly attributable to the combination of a sustained low interest rate level and the bank's liquidity surplus.

Liquidity

The bank has a strong liquidity position, reporting a liquidity coverage ratio (LCR) of 421% at 30 June 2020.

Capitalisation

At 30 June 2020, the banking group's MREL capital amounted to DKK 2.1 billion, against an MREL capital requirement of DKK 1.4 billion. Accordingly, the banking group had an excess of DKK 0.7 billion. The total risk exposure of the banking group was DKK 8.9 billion. More elaborate information about the bank's solvency need is available on the website, <https://almbrand.dk/Risiko>.

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 1,660 million at 30 June 2020, against DKK 1,736 million at 31 December 2019. The capital reservation equalled 25% of the credit exposure.

Capital reservation for credit risk

DKK m	30 June 2020				31 December 2019			
	Total assets	Credit exposure ^{a)}	Accumulated impairment writedowns ^{b)}	Required capital	Total reservation/reservation credit exposure	Total reservation/reservation credit exposure	Total reservation/reservation credit exposure	Total reservation/reservation credit exposure
Private	3,660	3,999	339	281	620	15%	622	15%
Commercial	1,001	2,187	466	249	715	33%	715	32%
Agriculture	74	365	291	20	311	85%	386	86%
Total, excl. reverse transactions	4,735	6,551	1,096	550	1,646	25%	1,723	26%
Reverse transactions and intra-group exposures	210	212	2	12	14	6%	13	5%
Total, group	4,945	6,763	1,098	562	1,660	25%	1,736	25%

^{a)} Gross lending, residual debt on mortgage deeds and credit exposure through the option agreement with Alm. Brand Forsikring

^{b)} Including value adjustments of mortgage deeds

SUPERVISORY DIAMOND

At 30 June 2020, the bank was in compliance with all five threshold values of the Danish Financial Supervisory Authority's supervisory diamond as shown in the figure below:



Large exposures				
Threshold value < 175%	30 June 2020	56 %	2019	52 %
Growth in lending				
Threshold value < 20%	30 June 2020	1 %	2019	-0.5 %
Funding ratio				
Threshold value < 1	30 June 2020	0.46	2019	0.43
Property exposure				
Threshold value < 25%	30 June 2020	9 %	2019	8 %
Excess liquidity coverage				
Threshold value > 100%	30 June 2020	469 %	2019	434 %

Developments in the bank's supervisory diamond values were in line with expectations.

MAJOR EVENTS

Change of interest rate

At the end of July 2020, the bank announced further changes to deposit and lending rates for private customers. As a result of these changes, the threshold for when a customer is to pay negative interest rates will be lowered to DKK 0 for Basiskunder on available funds and cash in pension schemes. This does not apply to the Nemkonto of Basis-kunder, which is still subject to a threshold of DKK 250,000. Moreover, the lending rate is raised by 0.30 of a percentage point on a number of loans and credit facilities.

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 30 June 2020.

The consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU. The interim report of the parent company has been prepared in accordance with the Danish Financial Business Act. In addition, the interim report has been prepared in accordance with additional disclosure requirements for listed financial enterprises. The management’s review has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the interim report gives a true and fair view of the group’s and the parent company’s assets, liabilities and financial position at 30 June 2020 and of the group’s cash flows for the period 1 January to 30 June 2020.

In our opinion, the management’s review contains a fair review of developments in the group’s and the parent company’s activities and financial position and fairly describes principal risks and uncertainties that may affect the group.

Management Board

Copenhagen, 20 August 2020

Rasmus Werner Nielsen

Chief Executive Officer

Board of Directors

Copenhagen, 20 August 2020

Jørgen Hesselbjerg Mikkelsen

Chairman

Jan Skytte Pedersen

Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested

Helle Låsby Frederiksen

Claus Nexø Jensen

Susanne Larsen

Income statement

DKKm	Note	Group				
		Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Income						
Premium income		1,719	1,729	3,504	3,634	7,215
Interest income etc.		157	183	329	354	705
Fee income etc.		64	51	135	100	227
Other income from investment activities		2	4	4	2	4
Other income		71	69	146	145	294
Total income		2,013	2,036	4,118	4,235	8,445
Costs						
Claims incurred		-1,142	-1,138	-2,466	-2,227	-4,671
Interest expenses		-11	-7	-28	-22	-46
Other cost from investment activities		-15	-13	-36	-29	-111
Impairment of loans, advances and receivables, etc.	1	21	21	22	44	81
Acquisition and administrative costs		-445	-472	-906	-929	-1,907
Total costs		-1,592	-1,609	-3,414	-3,163	-6,654
Profit from business ceded		-58	-62	-121	-126	-250
Change in life insurance provisions		-555	-445	-152	-1,236	-1,772
Change in profit margin, Life Insurance		-13	54	-17	14	70
Exchange rate adjustments		685	223	31	802	916
Tax on pension investment returns		-109	-52	-41	-156	-186
Profit/loss before tax		371	145	404	370	569
Tax		-82	-22	-90	-71	-117
Profit/loss after tax		289	123	314	299	452
Earnings per share, DKK		1.9	0.8	2.0	1.9	2.9
Diluted earnings per share, DKK		1.9	0.8	2.0	1.9	2.9

Statement of comprehensive income

DKKm					Group
	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Comprehensive income					
Profit for the period	289	123	314	299	452
<i>Items that may be recycled to profit or loss</i>	0	0	0	0	0
<i>Items that may not be recycled to profit or loss:</i>					
Revaluation of owner-occupied properties	0	0	0	0	-41
Transferred to collective bonus potential	0	0	0	0	41
Tax on other comprehensive income	0	0	0	0	0
Total other comprehensive income	0	0	0	0	0
Comprehensive income	289	123	314	299	452
Proposed allocation of profit/loss:					
Share attributable to Alm. Brand	289	123	314	299	452
Comprehensive income	289	123	314	299	452

Balance sheet

DKKm	Group		
	30 June 2020	30 June 2019	FY 2019
Assets			
Intangible assets	174	201	187
Owner-occupied properties	752	709	752
Reinsurers' share of insurance contracts	165	152	170
Current tax assets	0	0	45
Other assets	1,864	2,262	1,777
Loans	5,450	5,684	5,514
Investment properties	742	727	750
Investment assets	32,096	30,887	31,567
Amounts due from credit institutions and central banks	1,161	1,154	792
Cash in hand and demand deposits	241	217	244
Total assets	42,645	41,993	41,798
Liabilities and equity			
Share capital	1,577	1,577	1,577
Reserves, retained profit etc.	3,279	2,957	2,539
Proposed dividend	0	0	460
Consolidated shareholders' equity	4,856	4,534	4,576
Subordinated debt	575	575	575
Provisions for insurance contracts	24,348	23,552	23,593
Other provisions	35	57	41
Deferred tax liabilities	66	54	55
Issued bonds	150	0	0
Current tax liabilities	28	21	0
Other liabilities	1,760	1,690	1,628
Deposits	9,610	10,742	10,492
Payables to credit institutions and central banks	1,217	768	838
Total liabilities and equity	42,645	41,993	41,798
Note 2	Own shares		
Note 3	Contingent liabilities, guaranties and leasing		
Note 4	Fair value measurement of financial instruments		
Note 5	Accounting policies - Group		
Note 6	Financial highlights and key ratios		

Statement of changes in equity

DKKm	Share capital	Contin-gency funds	Other provi-sions etc.	Retained profit	Proposed dividend	Consoli-dated equity
Shareholders' equity, 1 January 2019	1,610	182	1,215	1,271	470	4,748
Change in accounting policies				0		0
Adjusted shareholders' equity at 1 January 2019	1,610	182	1,215	1,271	470	4,748
Changes in equity H1 2019:						
Profit/loss for the period				299		299
Total income	0	0	0	299	0	299
Dividend distributed				3	-470	-467
Cancellation of treasury shares	-33			33		0
Share option scheme, exercise				21		21
Purchase and sale of treasury shares				-67		-67
Changes in equity	-33	0	0	289	-470	-214
Shareholders' equity, 30 June 2019	1,577	182	1,215	1,524	0	4,534
Shareholders' equity at 1 January 2019	1,610	182	1,215	1,271	470	4,748
Changes in equity 2019:						
Profit/loss for the year				452	0	452
Revaluation of owner-occupied properties				-41		-41
Transferred to collective bonus potential				41		41
Total income	0	0	0	452	0	452
Cancellation of treasury shares	-33			33		0
Proposed dividend				-460	460	0
Dividend distributed				3	-470	-467
Share option scheme, exercise				33		33
Purchase and sale of treasury shares				-190		-190
Changes in equity	-33	0	0	-129	-10	-172
Shareholders' equity, 31 December 2019	1,577	182	1,215	1,142	460	4,576
Shareholders' equity, 1 January 2020	1,577	182	1,215	1,142	460	4,576
Changes in equity H1 2020:						
Profit/loss for the year				314		314
Total income	0	0	0	314	0	314
Cancellation of proposed dividend				460	-460	0
Share option scheme, exercise				7		7
Purchase and sale of treasury shares				-41		-41
Changes in equity	0	0	0	740	-460	280
Shareholders' equity, 30 June 2020	1,577	182	1,215	1,882	0	4,856

Cash flow statement

DKKm				Group		
	H1 2020	H1 2019	FY 2019	H1 2020	H1 2019	FY 2019
Cash flows from operating activities						
Premiums received	3,925	3,992	7,080			
Claims paid	-2,377	-2,157	-4,404			
Dividends received	35	38	42			
Interest receivable, dividends, etc.	303	64	640			
Interest payable	-9	-6	-18			
Payments concerning reinsurance	-146	-158	-269			
Fee income received	141	106	234			
Fee income paid	-6	-6	-6			
Expences paid	-739	-590	-1,946			
Tax on pension investment returns paid	-87	-83	-82			
Other ordinary income received	146	145	294			
Taxes paid/received	-7	-6	-134			
Cash flows from operating activities	1,179	1,339	1,431			
Change in investment placement						
Acquisition of intangible assets, furniture, equipment,	12	40	23			
Properties acquired or converted	13	3	-35			
Sale/aquisition of equity investments	-696	236	320			
Sale/repayment of mortgage deeds and loans	70	83	291			
Sale/aquisition of bonds	182	-1,686	-2,055			
Change in investment placement	-419	-1,324	-1,456			
				Change in financing		
				Sale/purchase of treasury shares	-33	-157
				Dividend distributed	0	-470
				Dividend received, treasury shares	0	3
				Change in deposits	-883	194
				Change in payables to credit institutions	528	408
				Change in other liabilities	-6	-10
				Change in financing *)	-394	-32
				Net change in cash and cash equivalents	366	-57
				Cash and cash equivalents, beginning of period	1,036	1,093
				Cash and cash equivalents, end of period	1,402	1,036

*) The amount of DKK 394 million consists only of cash inflows og outflows.

Segment reporting

DKKm						H1 2020	
	Non-life	Life	Banking	Other	Elimi- nation	Group	
Premium income	2,719	785	0	0		3,504	
Interest income etc.	73	129	129	2	-4	329	
Fee income etc.	0	0	158	0	-23	135	
Other investment income	0	35	0	0	-31	4	
Other income	0	0	146	0		146	
Total income	2,792	949	433	2	-58	4,118	
Claims incurred	-1,755	-711	0	0		-2,466	
Interest expenses	-16	-2	-10	-4	4	-28	
Other investment expenses	-14	-19	0	-26	23	-36	
Impairment of loans, advances and receivables, etc.	0	0	22	0		22	
Acquisition and administrative expenses	-476	-55	-406	0	31	-906	
Total expenses	-2,261	-787	-394	-30	58	-3,414	
Result of business ceded	-120	-1	0	0		-121	
Change in life insurance provisions	0	-152	0	0	0	-152	
Change in profit margin, Life Insurance	0	-17	0	0		-17	
Exchange rate adjustments	-77	111	-4	1	0	31	
Tax on pension investment returns	0	-41	0	0		-41	
Profit/loss before tax	334	62	35	-27	0	404	
Tax	-78	-14	-4	6		-90	
Profit/loss after tax	256	48	31	-21	0	314	

Segment reporting

DKKm						H1 2019	
	Non-life	Life	Banking	Other	Elimi- nation	Group	
Premium income	2,650	984	0	0		3,634	
Interest income etc.	88	134	134	1	-3	354	
Fee income etc.	0	0	126	0	-26	100	
Other investment income	0	34	0	0	-32	2	
Other income	0	0	145	0		145	
Total income	2,738	1,152	405	1	-61	4,235	
Claims incurred	-1,704	-523	0	0		-2,227	
Interest expenses	-11	-2	-7	-5	3	-22	
Other investment expenses	-13	-18	0	-24	26	-29	
Impairment of loans, advances and receivables, etc.	0	0	44	0		44	
Acquisition and administrative expenses	-481	-51	-429	0	32	-929	
Total expenses	-2,209	-594	-392	-29	61	-3,163	
Result of business ceded	-125	-1	0	0		-126	
Change in life insurance provisions	0	-1,236	0	0		-1,236	
Change in profit margin, Life Insurance	0	14	0	0		14	
Exchange rate adjustments	-87	871	18	0		802	
Tax on pension investment returns	0	-156	0	0		-156	
Profit/loss before tax	317	50	31	-28	0	370	
Tax	-71	-3	-4	7		-71	
Profit/loss after tax	246	47	27	-21	0	299	

Notes

DKKm	Group		
	H1 2020	H1 2019	FY 2019
Note 1 Impairment writedowns on loans, advances and other receivables as well as provisions for guarantees and undrawn credit facilities			
<i>Impairment writedowns on loans, advances and receivables at amortised cost</i>			
<i>Stage 1 no significant increase in credit risk</i>			
Impairment writedowns, beginning of year	14	3	3
New impairment writedowns, net	-1	13	14
Previously impaired, now finally lost	0	0	0
Other movements	0	-3	-3
Impairment writedowns, end of year	13	13	14
<i>Stage 2 significant increase in credit risk</i>			
Impairment writedowns, beginning of year	58	75	75
New impairment writedowns, net	2	-6	-16
Previously impaired, now finally lost	0	0	0
Other movements	0	-1	-1
Impairment writedowns, end of year	60	68	58
<i>Stage 3 Credit-impaired</i>			
Impairment writedowns, beginning of year	742	806	806
New impairment writedowns, net	-1	-4	-1
Previously impaired, now finally lost	-53	-40	-66
Other movements	1	0	3
Impairment writedowns, end of year	689	762	742
<i>Loans which were kredit-impaired at initial recognition</i>			
Impairment writedowns, beginning of year	3	0	0
New impairment writedowns, net	2	0	3
Previously impaired, now finally lost	-1	0	0
Other movements	0	0	0
Impairment writedowns, end of year	4	0	3
<i>Provisions for losses on guarantees and undrawn credit facilities</i>			
<i>Stage 1 no significant increase in credit risk</i>			
Provisions, beginning of period	6	10	10
New provisions, net	0	-4	-7
Previously provided for, now finally lost	0	0	0
Other movements	0	3	3
Provisions, end of year	6	9	6

Notes

DKKm	Group		
	H1 2020	H1 2020	FY 2019
<i>Stage 2 significant increase in credit risk</i>			
Provisions, beginning of period	4	6	6
New provisions, net	2	0	-2
Previously provided for, now finally lost	0	0	0
Other movements	0	1	0
Provisions, end of year	6	7	4
<i>Stage 3 Credit-impaired</i>			
Provisions, beginning of period	9	6	6
New provisions, net	-4	2	3
Previously provided for, now finally lost	0	0	0
Other movements	0	0	0
Provisions, end of year	5	8	9
Total impairment writedowns and provisions, end of year	783	867	836
<i>Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement</i>			
Impairment writedowns on loans and advances for the year	-1	21	28
Provisions for losses on guarantees and undrawn credit facilities for the year	-3	2	6
Impairment writedowns on receivables from credit institutions and other items subject to credit risk for the year	0	0	0
Reversal of prior-year impairment writedowns and provisions	0	0	0
Finally lost, where impairment writedowns/provisions have not been made	2	-6	-11
Settlements made on debt previously written off	24	27	58
Recognised in the income statement	22	44	81

Notes

DKKm	Group		
	H1 2020	H1 2020	FY 2019
Note 2 Own shares			
Nominal value, beginning of year	34	43	43
Acquired during the year	10	13	39
Sold during the year	-3	-8	-15
Cancellation of treasury shares	0	-33	-33
Nominal value, end of year	41	15	34
Holding number of shares ('000), beginning of period	3,349	4,310	4,310
Additions, number of shares	995	1,322	3,891
Disposals, number of shares	-304	-816	-1,512
Cancellation of treasury shares	0	-3,340	-3,340
Holding number of shares ('000), end of year	4,040	1,476	3,349
Percentage of share capital, end of year	2.6%	0.9%	2.1%
Note 3 Contingent liabilities, guaranties and leasing			
Guarantee commitments	4,042	3,989	4,993

The Alm. Brand Group is contractually obliged to pay rent of DKK 43 million over the next five years. The obligation is recognised in Other liabilities as a lease obligation.

The companies of the group have undertaken to participate in investing in unlisted securities at an amount of DKK 936 million.

Notes

DKKm	30 June 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Note 4 Fair value measurement of financial instruments								
<u>Financial assets</u>								
Loans and advances	0	4,609	841	5,450	0	4,578	936	5,514
Bonds	8,853	18,571	6	27,430	20,019	7,655	8	27,682
Shares	2,223	145	347	2,715	1,721	143	334	2,198
Investment properties	0	0	742	742	0	0	750	750
Other assets	7	1,596	0	1,603	0	1,328	0	1,328
Total financial assets	11,083	24,921	1,936	37,940	21,740	13,704	2,028	37,472
<u>Financial liabilities</u>								
Subordinated debt	0	0	575	575	0	0	575	575
Issued bonds	0	0	150	150	0	0	0	0
Deposits	0	9,610	0	9,610	0	10,491	0	10,491
Other payables	0	613	0	613	0	604	0	604
Total financial liabilities	0	10,223	725	10,948	0	11,095	575	11,670

The fair value is the price obtained in a sale of an asset or paid for transferring a liability in an arm's length transaction at the time of measurement. The fair value may be identical to the net asset value if the net asset value is calculated on the basis of underlying assets and liabilities measured at fair value. There are three levels of fair value measurement:

Level 1 is based on quoted (unadjusted) prices in active markets.

Level 2 is used where no quoted price is available but where the use of another official price is deemed to best reflect the fair value. In the case of listed securities for which the closing price does not represent fair value, valuation techniques or other observable data are used to determine fair value. Depending on the nature of the asset or liability, these may be calculations based on underlying parameters such as yields, exchange rates and volatility or with reference to transaction prices for similar instruments.

Level 3 is used for financial assets and liabilities the valuation of which cannot be based on observable data due to such data not being available or not being deemed to be usable for the determination of fair value. Instead recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value. The bank's unlisted shares that are not measured at a redistribution price belong to this category.

The process for recognising fair values has been structured so that effective segregation of duties has been set up between the departments in the group that report, monitor and effect the transactions. Reconciliation procedures have been set up for the purpose of identifying material discrepancies across the various reports and source systems used.

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement. The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. There were no transfers between categories in the fair value hierarchy in 2019 or 2020.

Notes

DKKm	30 June 2020					
	Loans and advances	Bonds	Shares	Investment properties	Issued bonds (liability)	Subordinated debt (liability)
Development in level 3 financial instruments						
Carrying amount, beginning of period	936	8	334	750	0	575
Additions during the year	5	0	0	0	150	0
Disposals during the year	-82	-1	0	-13	0	0
Realised value adjustments	-5	0	0	0	0	0
Unrealised value adjustments	-13	-1	13	5	0	0
Carrying amount, end of period	841	6	347	742	150	575
Value adjustments recognised in the income statement	-18	-1	13	5	0	0
	31 December 2019					
DKKm	Loans and advances	Bonds	Shares	Investment properties	Issued bonds (liability)	Subordinated debt (liability)
Development in level 3 financial instruments						
Carrying amount, beginning of year	1,096	7	92	724	0	575
Additions during the year	4	2	213	11	0	250
Disposals during the year	-151	-1	0	-6	0	-250
Realised value adjustments	-3	0	1	0	0	0
Unrealised value adjustments	-10	0	28	21	0	0
Carrying amount, year-end	936	8	334	750	0	575
Value adjustments recognised in the income statement	-13	0	29	21	0	0

NOTE 5 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and with the requirements of the Danish Financial Business Act and NASDAQ Copenhagen A/S for interim reports of listed financial enterprises. The application of IAS 34 means that the report is limited relative to the presentation of a full annual report.

The interim report is unaudited.

Except for the implementation of IFRS 16, the accounting policies are unchanged from the policies applied in the annual report for 2019, to which reference is made.

The accounting policies of the parent company are described in connection with the parent company’s interim report. See separate section in this report.

Profit margin of Alm. Brand Liv og Pension

The sector has been in discussions with the Danish Financial Supervisory Authority about the accounting concept “profit margin”. The outcome is an understanding that the Danish Financial Supervisory Authority requires a theoretically more sophisticated methodology for calculating the profit margin. As a result, Alm. Brand has initiated a process to ensure that the company adapts to these requirements well in advance of the implementation of the Danish Financial Supervisory Authority’s new approach. The new calculation principles are not expected to change the company’s capital robustness.

Change in accounting policies

IFRS 16 Leases was implemented with effect from 01 January 2020. The standard entails that leases are recognised in the balance sheet as an asset and a liability, respectively. In the Alm. Brand A/S Group, only a few external tenancy agreements will be comprised by the standard.

On implementation, an amount of DKK 196 million was capitalised in “Other assets” and recognised as a liability of DKK 196 million in “Other liabilities”. Overall, the results for the year are largely unaffected by the implementation.

In addition, a number of amendments and interpretations have been issued to the International Financial Reporting Standards that entered into force on 1 January 2019. However, none of these have had any significant effect on the accounting policies of the group.

Segment information

The business segments Non-life Insurance, Life Insurance, Banking and Other are the group’s primary segments and they have been determined on the basis of the regulatory differences. No geographical segment information is provided as the group’s activities are predominantly focused on the Danish market.

Non-life Insurance is divided into Private and Commercial. Private comprises the group’s insurance sales to private households through own sales channels and the group’s health and personal accident activities, which for legal purposes are placed in Alm. Brand Liv og Pension A/S. Commercial comprises the group’s sales to agricultural and commercial customers through own sales channels and partnerships. The management reporting related to Private and Commercial consists exclusively of reporting of the technical result.

Banking

The bank is reported as a combined bank broken down as in the financial highlights.

Net interest and fee income comprises interest and fees from lending to private customers, small and medium-sized businesses and from the winding-up portfolio.

Further included is income from Alm. Brand Forsikring related to the administration of mortgage deeds. Trading income comprises the bank’s earnings from market activities, including brokerage fees and advisory and asset management fees. Leasing consists of lease agreements with private and commercial customers, the income being calculated on a net basis, i.e. after depreciation of the lease assets. Other income consists of other operating income, including income from sector shares etc., proceeds from the sale of properties and an option premium for the hedging coverage of credit risk on mortgage deeds sold to Alm. Brand Forsikring.

Costs comprise remuneration for the Management Board and the Board of Directors and staff costs and other administrative expenses. Costs also comprise amortisation and depreciation of intangible assets and property plant and equipment which are not lease assets or customer relationships recognised in connection with the acquisition of Saxo Privatbank’s activities.

Investment portfolio earnings consist of the return on the investment portfolio of bonds. Further included is the result of internal funding, interest paid on a subordinated loan, interest from money market placements, hedging of interest and currency positions in the banking group.

Impairment writedowns comprise credit losses from loans and advances and mortgage deeds as well as income from exposures previously written off. Amortisation, customer relationships concerns amortisation of the intangible asset relating to customer relationships.

More detailed information about the individual segments is provided in the management’s review.

NOTE 6 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management’s review.

DISCLAIMER

The forecast is based on the interest rate and price levels prevailing in mid-August 2020. All other forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts.

Such forward-looking statements are based on various assumptions and expectations which reflect the company's current views and assumptions, but which are inherently subject to significant risks and uncertainties, including matters beyond the company's control.

Actual and future results and developments may differ materially from those contained or assumed in such statements. Matters which may affect the future development and results of the group as well as of the individual business areas include changes in economic conditions in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist attacks, bad debts, major changes in the claims experience, unexpected outcomes of legal proceedings, etc.

The above-mentioned risk factors are not exhaustive. Investors and others who base their decisions on the information contained in this report should independently consider any uncertainties of significance to their decision.

This interim report has been translated from Danish into English. In the event of any discrepancy between the Danish-language version and the English-language version, the Danish-language version shall prevail.

Income and comprehensive income statement

DKKm	Note	Parent company				
		Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Income statement						
Income from group enterprises	2	148	133	335	320	530
Value adjustments, bonds		1	0	1	0	0
Interest income and dividends etc.		2	1	2	1	3
Interest expenses		-1	-2	-4	-5	-8
Administrative expenses related to investment activities		-14	-12	-26	-24	-96
Profit/loss before tax		136	120	308	292	429
Tax		2	3	6	7	23
Profit/loss after tax		138	123	314	299	452
Comprehensive income						
Profit/loss for the period		138	123	314	299	452
Comprehensive income		138	123	314	299	452
Proposed allocation of loss:						
Proposed dividend		0	0	0	0	460
Retained earnings		138	123	314	299	-8
Comprehensive income		138	123	314	299	452

Accounting policies

3

Balance sheet

DKKm	Note	Parent company		
		30 June 2020	30 June 2019	FY 2019
Assets				
Investment in group enterprises	1	5,282	4,738	4,948
Loans to group enterprises		150	0	0
Total investments in group enterprises and associates		5,432	4,738	4,948
Equity investments		1	1	1
Other loans and advances		2	2	2
Cash in hand and balances at call		1	9	1
Total other financial investment assets		4	12	4
Total investment assets		5,436	4,750	4,952
Receiveables from group enterprises		8	15	0
Other receivables		50	39	53
Total receivables		58	54	53
Current tax assets		30	24	22
Deferred tax assets		0	1	0
Other assets		650	196	175
Total other assets		680	221	197
Total prepayments		8	0	6
Total assets		6,182	5,025	5,208

Balance sheet

DKKm	Parent company		
	30 June 2020	30 June 2019	FY 2019
Liabilities and equity			
Share capital	1,577	1,577	1,577
Other provisions	1,215	1,215	1,215
Proposed dividend	0	0	460
Retained earnings	2,064	1,742	1,324
Total shareholders' equity	4,856	4,534	4,576
Subordinated debt	250	250	250
Subordinated debt	250	250	250
Deferred tax liabilities	38	40	37
Total provisions	38	40	37
Payables to group enterprises	231	2	149
Issued bonds	150	0	0
Other payables	657	199	196
Total payables	1,038	201	345
Total liabilities and equity	6,182	5,025	5,208

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Share- holders' equity
Shareholders' equity at 1 January 2019	1,610	1,215	1,453	470	4,748
Changes in equity H1 2019:					
Profit/loss for the period			299	0	299
Comprehensive income			299	0	299
Dividend distributed	-33		33		0
Share option scheme, exercise			3	-470	-467
Purchase and sale of treasury shares			21		21
Changes in equity	-33	0	289	-470	-214
Shareholders' equity at 30 June 2019	1,577	1,215	1,742	0	4,534
Shareholders' equity at 1 January 2019	1,610	1,215	1,453	470	4,748
Changes in equity 2019:					
Profit/loss for the year			452	0	452
Comprehensive income			452	0	452
Cancellation of treasury shares	-33		33		0
Proposed dividend			-460	460	0
Dividende distributed			3	-470	-467
Share option scheme, exercise			33		33
Purchase and sale of treasury shares			-190		-190
Changes in equity	-33	0	-129	-10	-172
Shareholders' equity at 31 December 2019	1,577	1,215	1,324	460	4,576
Shareholders' equity at 1 January 2020	1,577	1,215	1,324	460	4,576
Changes in equity H1 2020:					
Profit/loss for the period			314	0	314
Comprehensive income	0		314		314
Cancellation of proposed dividend			460	-460	0
Share option scheme, exercise			7		7
Purchase and sale of treasury shares			-41		-41
Changes in equity	0	0	740	-460	280
Shareholders' equity at 30 June 2020	1,577	1,215	2,064	0	4,856

Notes

DKKm	30 June 2020	30 June 2019	FY 2019
Note 1 Investment in group enterprises			
Cost, beginning of period	8,941	8,941	8,941
Cost, end of period	8,941	8,941	8,941
Revaluation and impairment, beginning of period	-3,993	-3,924	-3,924
Dividend received	0	-600	-600
Profit/loss for the period	335	320	530
Revaluation and impairment of treasury shares in subsidiaries	-1	1	1
Revaluation and impairment, end of period	-3,659	-4,203	-3,993
Investment in group enterprises, end of period	5,282	4,738	4,948
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,925	1,910	1,895
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	3,357	2,828	3,053
Investment in group enterprises, end of period	5,282	4,738	4,948
DKKm	H1 2020	H1 2019	FY 2019
Note Income from group enterprises			
Alm. Brand Bank A/S	31	27	12
Alm. Brand Forsikring A/S	304	293	518
Total income from group enterprises	335	320	530
<i>The results are recognised in the following items:</i>			
Income from group enterprises	335	320	530
Total income from group enterprises	335	320	530

NOTE 3 ACCOUNTING POLICIES PARENT COMPANY

The interim report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

With respect to recognition and measurement, the accounting policies of the parent company are identical to those described for the group, with the exception that:

Investments in group enterprises are recognised and measured at the parent company's share of the group enterprises' net asset value on the balance sheet date.

The interim report is unaudited.

Definitions of financial ratios and Alternative Performance Measures (APM)

Alm. Brand's management believes that the use of financial highlight and key ratios in the management's review in respect of each business area provides the reader with a good basis for comparing results over time. The financial highlights and key ratios have been prepared on the basis of the statutory requirements for content and are supplemented by individual pieces of relevant information. The information provided in the financial highlights and key ratios contain data regularly provided to management. The management's review describes developments in the individual business areas based on the financial highlights and key ratios. There are only presentation differences between these financial highlights and key ratios and "Segment reporting, income statement" in the IFRS financial statements.

The information provided in the financial highlights and key ratios and the management's review has been supplemented by individual pieces of information in addition to what is specified in legislation. The most significant information is the following:

Payout ratio (Alm. Brand A/S Group):

The total payout ratio for the financial year expresses the total distribution for the year as a percentage of the profit for the year after tax.

Underlying combined ratio (Non-life Insurance):

This ratio is calculated as the combined ratio less factors which may vary considerably from year to year (major claims net of reinsurance, weather-related claims net of reinsurance and run-off result on claims net of reinsurance). Accordingly, the underlying combined ratio reflects the trend in small claims, costs and reinsurance ceded.

Underlying claims ratio (Non-life Insurance):

The underlying combined ratio less the expense ratio.

Claims experience (Non-life Insurance):

This figure is calculated as the sum of the claims ratio and the reinsurance ratio.

Run-off result, claims (Non-life Insurance):

The run-off result on claims reflects the gains and/or losses relating to prior-year technical provisions which affect the result for the current year.

Run-off result, risk margin (Non-life Insurance):

The run-off result on the risk margin is to a significant extent offset by developments in the risk margin for the current year and is hence more or less neutral for the profit for the year.

Return requirement for shareholders' equity (Life Insurance):

Profit before tax broken down according to the guidelines for return on equity which the company has reported to the Danish Financial Supervisory Authority.

Banking

The bank's financial highlights and key ratios are presented in accordance with the internal reporting. The accounting policies on page 36 contain a detailed description of the individual items of the financial highlights and key ratios.

In the calculation of return on equity, consideration is made for capital increases in the year and any other equity entries to the effect that such changes are included on a pro rata basis.

$$\text{Return on equity before tax} = \frac{\text{Profit before tax} \times 100}{\text{Average shareholders' equity}}$$

$$\text{Return on equity after tax} = \frac{\text{Profit for the year} \times 100}{\text{Average shareholders' equity}}$$

FINANCIAL RATIOS, ALM. BRAND A/S – PARENT COMPANY

In the determination of the average number of shares, any stock options and warrants are taken into consideration.

$$\text{Net asset value per share} = \frac{\text{Shareholders' equity} \times 100}{\text{No. of shares at year-end}}$$

$$\text{Earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

$$\text{Diluted earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

$$\text{Price/NAV} = \frac{\text{Share price}}{\text{Net asset value per share}}$$

FINANCIAL RATIOS, NON-LIFE INSURANCE

Financial ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

$$\text{Gross claims ratio} = \frac{\text{Gross claims expenses} \times 100}{\text{Gross premium income}}$$

$$\text{Gross expense ratio} = \frac{\text{Insurance operating expenses} \times 100}{\text{Gross premium income}}$$

$$\text{Net reinsurance ratio} = \frac{\text{Profit/loss on reinsurance} \times 100}{\text{Gross premium income}}$$

$$\text{Combined ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income}}$$

$$\text{Operating ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income} + \text{Technical interest}}$$

FINANCIAL RATIOS, LIFE INSURANCE

Financial ratios relating to Life Insurance have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

FINANCIAL RATIOS, BANKING

Financial ratios have been calculated in accordance with the Executive Order on financial reporting for credit institutions and investment companies, etc.

$$\text{Interest margin} = \frac{\text{Interest income}}{\text{Avg. interest-bearing assets}} - \frac{\text{Interest expenses}}{\text{Avg. interest-bearing liabilities}}$$

$$\text{Income/cost ratio} = \frac{\text{Income}}{\text{Costs}}$$

$$\text{Impairment ratio for the year} = \frac{\text{Impairment for the year} \times 100}{\text{Loans and advances} + \text{guarantees} + \text{impairment}}$$

Company information

Board of Directors

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested
Employee representative

Helle Låsby Frederiksen
Employee representative

Claus Nexø Jensen
Employee representative

Susanne Larsen
Employee representative

Management Board

Rasmus Werner Nielsen
Chief Executive Officer

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab

Internal auditor

Morten Bendtsen
Group Chief Auditor

Registration

Alm. Brand A/S
Company reg. (CVR) no. 77 33 35 17

Address

Midtermolen 7
DK-2100 Copenhagen Ø
Phone: +45 35 47 47 47

Internet: almbrand.dk
E-mail: almbrand@almbrand.dk