Bank | Forsikring | Pension

Alm Brand

ALM. BRAND

Annual Report 2018

Alm. Brand A/S | Midtermolen 7 | DK-2100 Copenhagen Ø
Company reg. (CVR) no. 77 33 35 17

Contents

Alm. Brand in brief

Alm. Brand is a Danish financial services group.
We carry on business within Banking, Non-life Insurance and Life Insurance.

We take care of our customers

The vision – taking care of – implies that we take an interest in our customers' needs and help them get the understanding and decision-making basis for choosing financial services

are attentive to our customers as part of our day-to-day routines so they know that we take an interest in them

help and take care of our customers in the best possible way when they find themselves in a new or unexpected situation

Our identity

Proper conduct
Proper conduct is the core of Alm. Brand. We behave properly and treat our customers and each other in a fair and proper manner.

Commitment
At Alm. Brand, we make an effort. We are committed to being there for our customers in their everyday lives and to being focused on their needs.

Making it simple
We are pragmatic and see things from the customer's perspective. We ensure simplicity and swiftness by being easy to reach and by offering good self-service solutions.

Founded

1792

Alm. Brand was founded by Royal Decree on 29 February 1792 – 227 years ago.

Employees

1,750

We are some 1,750 employees working at our head office in Copenhagen and in our local offices and branches.

Branches and offices

19

We have 19 branches and offices across Denmark supplemented by digital platforms.

Alm. Brand af 1792 fmba

60%

Our largest shareholder is Alm. Brand af 1792 fmba, which holds about 60% of the shares of Alm. Brand A/S.

Our *business model*

We offer supreme customer service and high-quality products covering the full range of our customers' financial needs.

Benefits for our customers

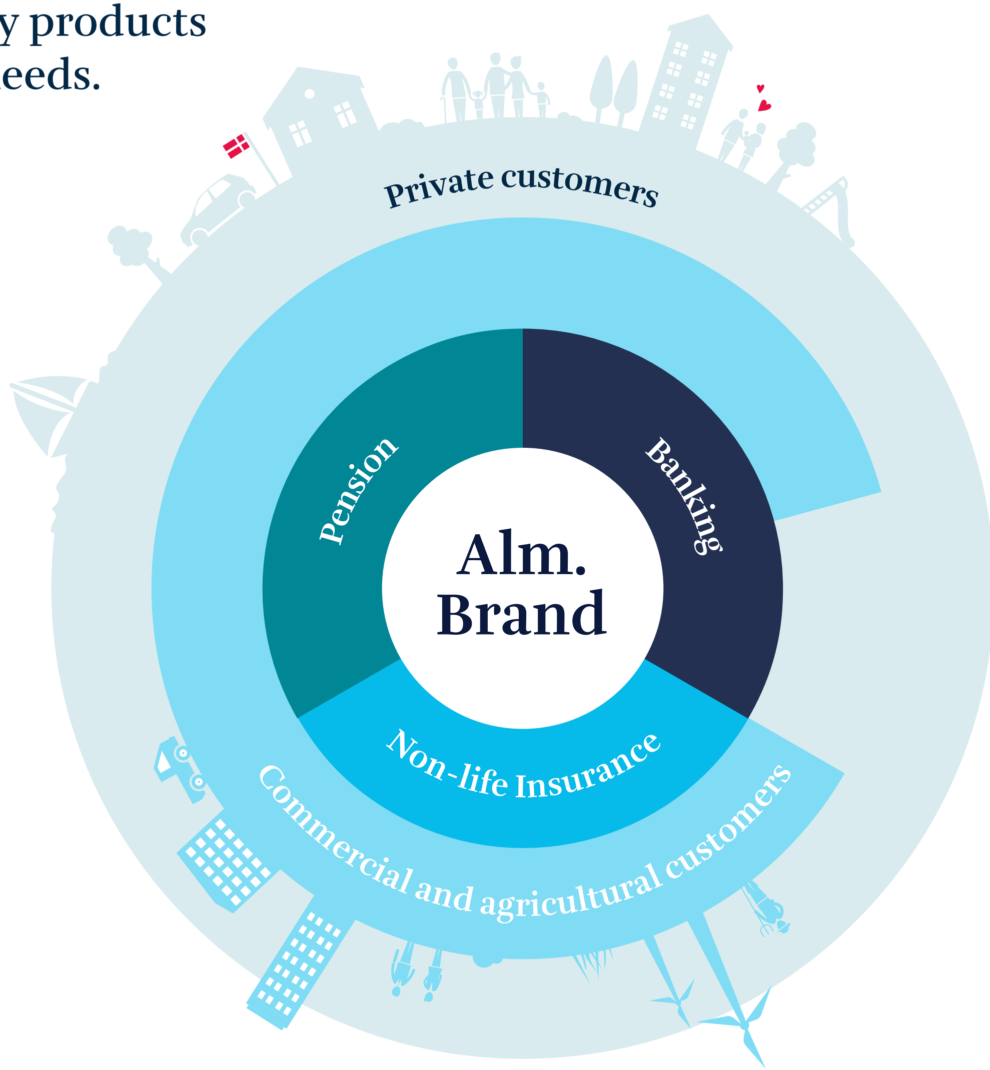
- All financial solutions consolidated in one place
- Financial advisory services tailored to the needs of each individual customer
- Nation-wide coverage with 19 branches and offices as well as online services
- High quality and customer satisfaction

Benefits for Alm. Brand

- Many customer contact points
- Synergies in the form of shared functions and knowledge sharing across the organisation
- Long-term customer relations
- In-depth knowledge of our customers' needs, solutions and risks
- Extensive partnership network across Denmark

Supportive group structure

- Strong brand
- Synergies in the form of shared functions
- Cost efficiency
- High employee satisfaction



Overview of 2018 results

Highly satisfactory profit of DKK 724 million.

FINANCIAL RESULTS FOR FY2018
Alm. Brand posted a consolidated pre-tax profit of DKK 724 million in 2018, corresponding to a return on equity of 15%. The profit for the year was highly satisfactory overall and significantly better than expected at the beginning of the year.

The business areas Non-life Insurance and Life Insurance generated highly satisfactory results in 2018, both areas delivering strong growth. The bank's financial results were favourably affected by reversed impairment writedowns driven by favourable economic conditions, whereas the volatile investment markets and sustained low level of money market rates detracted from performance. The volatile investment markets in 2018 affected all of the group's business areas. Due to the profit composition, the bank's performance was not satisfactory.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 1.50 per share. This corresponds to a total dividend payout of DKK 470 million. In addition, a new share buyback programme of up to DKK 200 million will be initiated, which is expected to run until end-March 2020.

The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

This means that Alm. Brand will distribute a total of up to DKK 670 million based on the 2018 results. The total payout equals 118% of the profit for the year after tax.

Non-life Insurance
Non-life Insurance posted a highly satisfactory pre-tax profit of DKK 652 million.

Relative to the exceptionally strong pre-tax profit of DKK 917 million reported in 2017, the 2018 performance was affected by a negative investment result and lower run-off gains. The performance was also affected by a DKK 30 million expense, corresponding to our estimated share of the industry's total expense triggered by the bankruptcy of Alpha Insurance. Adjusted for this expense, the performance was slightly better than the most recent guidance and significantly better than expected at the beginning of the year.

The combined ratio was 87.0 and was favourably affected by few weather-related claims as well as by run-off gains, while total claims expenses for major claims in 2018 was within the normal range of 7-8%.

Premiums increased by 2.3% in 2018 to total DKK 5,274 million. Both the private customer segment and the commercial customer segment contributed to the overall growth by 1.0% and 3.6%, respectively. The retention rate was also high in 2018, with an upward trend in the commercial segment.

Based on continued focus on profitability, Non-life Insurance recorded satisfactory growth, which was supported partly by high customer retention rates, partly by increased new and added sales of improved products. The growth achieved has resulted in growing market shares in the important motor insurance market and in workers' compensation insurance.

Non-life Insurance in 2018 continued the strategic activities to improve and redevelop the company's products. These activities will continue in the years ahead, supporting the group's strategic goals in terms of increased digitalisation of sales, service and claims processing.

The expense ratio was 17.2, which was in line with expectations. The expense ratio remained impacted by investments in digitalisation and growth.

The investment result was a loss of DKK 33 million, against a profit of DKK 112 million in 2017. The performance fell short of expectations and should be seen in light of the current market conditions. In addition, a narrowing of the yield spread in 2017 contributed to an exceptionally good result last year.

118%
payout ratio

An ordinary dividend of DKK 1.50 per share and an extraordinary dividend of a similar amount, in addition to a total share buyback programme of up to DKK 200 million.

Life Insurance
Life Insurance generated a highly satisfactory pre-tax profit of DKK 104 million, against DKK 93 million in 2017. The performance was better than expected.

Regular payments were up by 8.8% to DKK 766 million, while single payments increased by 79.5% to DKK 1,238 million. The improvement was, among other things, due to fair growth in the corporate customer segment, which benefited from customers moving their entire portfolio to Alm. Brand Pension. In addition, there was an exceptionally high inflow of single payments on both corporate and private pension schemes.

Overview of 2018 results

Income by business area

INVESTMENTS ETC.

376

DKKm

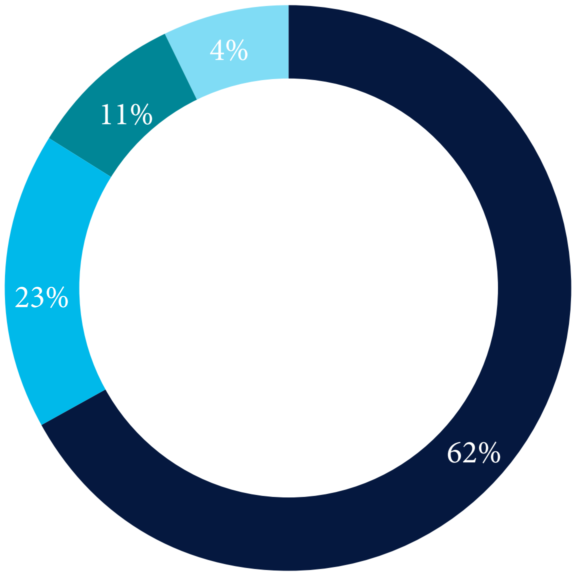
▼ *19.3%*

NON-LIFE INSURANCE

5,274

DKKm

▲ *2.3%*



BANKING

954

DKKm

▲ *30.5%*

LIFE INSURANCE

2,004

DKKm

▲ *43.8%*

Total income

8,608

DKKm

Profit before tax

724

DKKm

Return on equity before tax

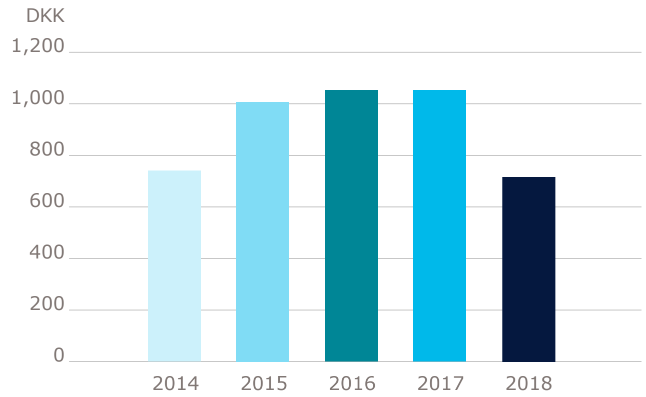
15.2%

Earnings per share

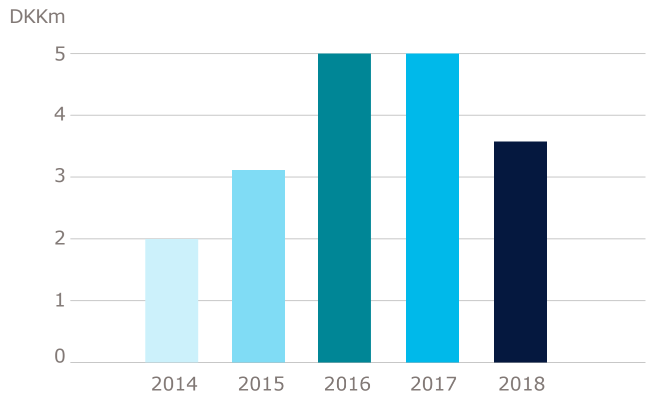
3.6

DKK

Profit before tax



Earnings per share



The substantial growth in the corporate customer segment should be seen in the light of several strategic initiatives which have contributed to supporting developments. These include simplified access for customers via digitalisation in the underwriting process and a more simple process for the provision of health statements. Moreover, Life Insurance has adjusted prices on selected products with a view to improving its competitive strength.

The combination of volatile investment markets in 2018 and a rate on policyholders' savings of 5% caused the bonus rate to drop from 23.7% at 1 January 2018 to 18.6% at 31 December 2018. In addition, the company in 2018 increased provisions in response to increased longevities, among other things. The bonus rate remains among the best in the market and enables the company to continue to offer a competitive rate on policyholders' savings. The rate on policyholders' savings for 2019 has been determined at 3.5%, which is still the market's highest rate.

Banking

The bank reported a pre-tax profit of DKK 26 million, against DKK 67 million in 2017. Although in line with original expectations, the overall profit for 2018 was not satisfactory due to the profit composition.

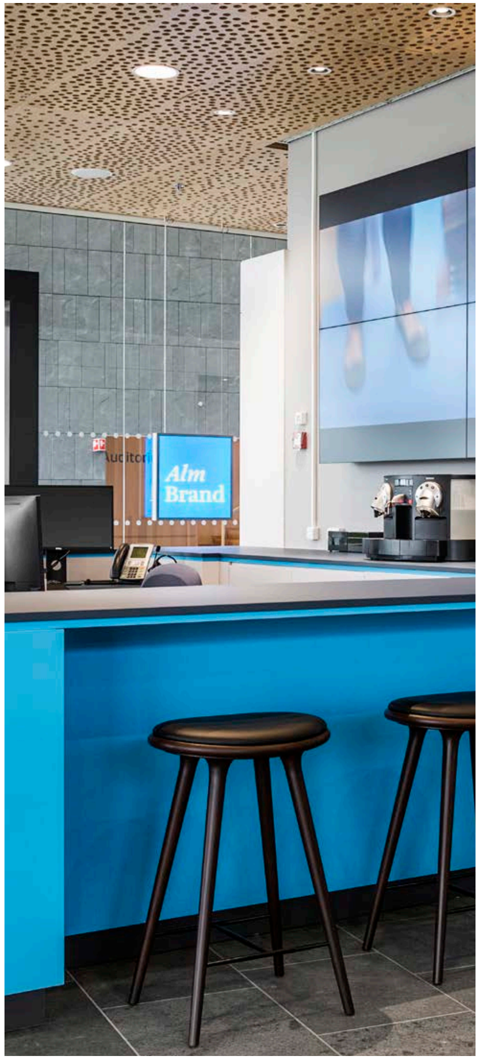
The year was generally characterised by growing business activity in the bank, Both in terms of organic growth and in particular through the acquisition of the majority of Saxo Privatbank A/S's activities on 1 April 2018. The integration of the Saxo Privatbank activities was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. As expected, no significant synergy benefits crystallised in 2018, whereas cost synergies to the tune of DKK 75 million before amortisation of customer relationships are expected for 2019.

The bank reported strong growth in new lending in 2018, and the number of Pluskunder (customers who have pooled all of their business with the bank) was up by 13%, not including former Saxo Privatbank customers. Including former Saxo Privatbank customers, the number of Pluskunder increased by 34% and has now exceeded 21,000 customers measured in terms of households. Despite strong growth in new lending to customers, a large part of the increase was offset by repayment of loans, generally lower borrowing requirements and conversion of bank loans to Totalkredit mortgage loans, all of which affected net lending.

At 31 December 2018, lending totalled DKK 5.0 billion, marking an increase of DKK 1.3 billion relative to 2017, driven by the inflow of customers and lending from Saxo Privatbank.

Totalkredit loans amounted to DKK 15.3 billion at 31 December 2018, against DKK 8.6 billion in 2017, equivalent to an increase of DKK 6.7 billion. The improvement was mainly driven by the addition of the Totalkredit portfolio from Saxo Privatbank, while mortgage lending net of this addition increased by approximately 15%. As mentioned above, the considerable inflow comprises both new and existing customers' conversion of bank loans to mortgage loans.

The favourable economic climate with rising property prices and improved economic conditions for customers resulted in a DKK 86 million reversal of impairment writedowns. On the other hand, the volatile investment markets in 2018, in the fourth quarter in particular, adversely impacted the bank's trading income, and the sustained low level of money market rates and the widening yield spread drove investment portfolio earnings into negative territory.



Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations, reporting a loss of DKK 58 million, against a DKK 54 million loss in 2017.

MAJOR EVENTS

Acquisition of the majority of Saxo Privatbank A/S's activities

On 5 February 2018, Alm. Brand entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities.

In connection with the acquisition, branches have been combined at locations in which Alm. Brand was already represented. Accordingly, branch combinations were completed Aarhus, Kolding, Esbjerg and Odense.

The integration of the Saxo Privatbank activities was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. These moves concluded a hectic year of combining operations and activities. As expected, no synergy benefits crystallised in 2018, whereas cost synergies to the tune of DKK 75 million before amortisation of customer relationships are expected for 2019.

Launch of Alm. Brand Trader

In Q4 2018, the bank launched Alm. Brand Trader, which is a customer investment tool.

Alm. Brand Trader is an intuitive, simple and easy to use securities trading platform that provides access to most of the world's markets and as many products as possible. Alm. Brand Trader is highly competitive, offering some of the market's lowest brokerage rates and fees. This is a unique introduction for a Danish bank, and the launch is in line with the strategy of providing solutions for multiple-service customers, allowing them to combine their banking and investment business in a single feature.

Share buybacks

Since 2015, the Alm. Brand Group has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 60%.

On 28 March 2018, Alm. Brand completed a DKK 300 million share buyback programme.

On 30 April 2018, the group launched a new share buyback programme of up to DKK 200 million in aggregate, which runs until end-March 2019. At 31 December 2018, shares for a total amount of DKK 172 million had been bought back under the share buyback programme.

A small portion is used for the existing share-based remuneration scheme.

A new share buyback programme of up to DKK 200 million is scheduled in respect of the 2018 financial year. This programme is expected to run until end-March 2020. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

Share-based remuneration scheme

A new share-based remuneration scheme was offered to the group's employees in December 2018. The scheme runs for a period of one year with effect from 1 January 2019, and the shares will be granted on a quarterly basis, the first grant taking place in May 2019. The scheme represents a total market value of approximately DKK 33 million. Shares to be granted under the share-based remuneration scheme will be purchased in addition to the scheduled share buyback programme, and the purchases have been approved separately by the Danish Financial Supervisory Authority.

Bankruptcies of Alpha Insurance and Qudos Insurance

The Danish insurance market experienced two rare bankruptcies in 2018, as Alpha Insurance and Qudos Insurance were both declared bankrupt in May and December, respectively. Depending on how and how fast the two estates in bankruptcy can be wound up, the bankruptcies may have different financial consequences for Alm. Brand. An amount of DKK 30 million was expensed in 2018 in connection with the bankruptcy of Alpha Insurance. No expense has been recognised as a result of the bankruptcy of Qudos Insurance.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Change of the VA premium

EIOPA changed the method for calculating the volatility adjustment (the VA premium) with effect from 1 January 2019. As a result, the VA premium is expected to be reduced by about 10-13 basis points. The market value effect on technical provisions in Non-life Insurance is expected to be approximately DKK 20-25 million, which will adversely affect the 2019 financial results. The method change will also result in a downward adjustment of the yield curve by around 13 basis points. This means that the bonus rate of Life Insurance will be reduced by around 1 percentage point on transition to the new yield curve. ■

Ready for a new *customer experience*

Excellent financial results and very strong growth characterised our performance in 2018. Our group's strategy, **Alm. Brand for the Customer**, has now been firmly implemented, and the new customer experience we have envisioned will truly begin to unfold in 2019.

In 2017 and 2018, we were focused on creating the foundation necessary to achieve the group's digital strategy, which is to ensure efficient digital processes and coherent administration and CRM systems. The goal is to develop efficient systems capable of digitally handling as many business processes as possible and making it possible to assist and serve our customers across the full spectrum of their financial needs.

Ready for a significantly improved customer experience

The entirely new customer experience we have envisioned started to become visible to customers in 2018. We established the first advisory centres where customers can get advice on all aspects of their financial situation and where ensuring coherence and optimisation of customer finances is a top priority. We also launched a new website designed to cater to our customers' needs and everyday lives and introduced a series of new products that digitally ensure that individual customer needs are met. We are extremely pleased with the very positive response we have received from our customers, among other things reflected in the group's high customer satisfaction and loyalty ratings and in the growth in customer numbers reported.

In order to help customers across the full spectrum of their financial needs, they must do business with us in at least two of our business areas. In 2018, the number of group-wide customers increased, and in particular the quality of their business – i.e. customer contact and loyalty to Alm. Brand – improved. It is also imperative that we are able to grow our small business areas – Banking and Life Insurance – in order to make them more cost-efficient.

The group's acquisition of most of Saxo Privatbank's activities increased the bank's size by 30%, strengthened the product range and expanded the bank's business areas. The integration of the activities acquired from Saxo Privatbank was completed at the end of the year, and cost synergies to the tune of DKK 75 million are expected to crystallise in 2019.

Driven by a digitalisation and process-simplification move, Life Insurance also developed more efficient operations, and new initiatives have generated growth of 44% in life insurance operations.

Focus on operations and growth

In spite of a negative investment result, the group's largest business area, Non-life Insurance, reported excellent full-year financial results. The company generally has a low claims ratio and fair-sized run-off gains, supported by a steady level of claims due to the mild weather conditions in 2018. Non-life Insurance also experienced decent growth in spite of the very competitive market, which is testament to our skilled employees, strong products and services that create great value for our customers.

The performance of Life Insurance was also better than expected, maintaining a high bonus rate in spite of the fact that Alm. Brand Pension is offering the market's highest rates on policyholders' savings and the extremely volatile financial markets in 2018.

The historically low level of interest rates and the unpredictable and adverse financial market developments had a severe impact on the bank's performance. Lending was adversely affected by the low borrowing requirements among Danish consumers – especially since the bank does not want to compromise its customer creditworthiness requirements. High creditworthiness is indeed a key characteristic of the bank's customers, which was the reason why many customers were advised to convert their bank loans to mortgage loans, as reflected in the significant increase in Totalkredit loans.

Sustained strong distribution potential

We are very pleased to be able to distribute around DKK 670 million to the group's shareholders in respect of the 2018 financial year. The Board of Directors proposes to pay dividends of DKK 3 per share as well as to initiate a share buyback programme of about DKK 200 million.

Poised for a stronger position

As mentioned above, we expect that in 2019 our customers will begin to feel and benefit from the group's many new strategic initiatives. In addition, the increased digitalisation of the entire group will simplify and improve processes and products, which, besides enhancing the customer experience, will ensure operational efficiency. In particular, the bank will experience substantial synergies from having increased in size. Moreover, the group will continue to invest in efficiency enhancements and strategic initiatives.

The group is strongly poised to face the competition and to create good results in the year ahead. However, it is also clear that the sustained highly unpredictable and volatile financial markets and the negative interest rate environment will have an adverse impact on the group's earnings in 2019.

We look forward to a year in which we expect to continue to generate strong consolidated financial results and to strengthen the group's position, driven by strong products, a high level of service, efficient systems and processes, a highly customer-centric strategy and dedicated employees, who rank among the most committed in the industry. ■

Jørgen Hesselbjerg Mikkelsen
Chairman of the Board

Søren Boe Mortensen
Chief Executive Officer

5-year *highlights*

	DKKm	2018	Q4 2018	2017	2016	2015	2014*)
GROUP	**Income**						
	Non-life Insurance	5,274	1,329	5,157	5,028	5,061	5,058
	Life Insurance	2,004	561	1,394	1,281	1,311	1,243
	Banking	954	208	731	653	662	744
	Investment etc.	376	76	491	532	562	593
	Total income	**8,608**	**2,174**	**7,773**	**7,494**	**7,596**	**7,638**
	Profit/loss						
	Non-life Insurance	652	92	917	967	952	651
	Life Insurance	104	22	93	84	79	78
	Banking	26	-14	67	44	-331	-275
	Other activities	-58	-16	-54	-62	-55	-53
	Profit before tax	**724**	**84**	**1,023**	**1,033**	**645**	**401**
	Tax	-155	-19	-212	-207	-121	-53
	Profit after tax	**569**	**65**	**811**	**826**	**524**	**348**
	Total provisions for insurance contracts	21,626	21,626	20,961	20,092	19,427	19,449
	Consolidated shareholders' equity	4,748	4,748	4,936	5,200	5,165	4,847
	Total assets	39,025	39,025	34,654	34,859	35,081	39,078
	Average no. of employees	1,770	1,770	1,602	1,572	1,557	1,590
	Return on equity before tax (%)**)	15.2	7.0	20.8	20.2	12.9	8.6
	Return on equity after tax (%)	12.0	5.4	16.5	16.2	10.4	7.4

	DKKm	2018	Q4 2018	2017	2016	2015	2014
PARENT COMPANY	**Profit before tax**	**554**	**61**	**798**	**811**	**511**	**335**
	Tax	15	4	13	15	13	13
	Profit for the year	**569**	**65**	**811**	**826**	**524**	**348**
	Total assets	5,095	5,095	5,247	5,508	5,481	5,172
	Total investment assets	5,021	5,021	5,173	5,428	5,411	5,081
	Share capital	1,610	1,610	1,655	1,735	1,735	1,735
	Shareholders' equity	4,748	4,748	4,936	5,200	5,165	4,847
	Payables	59	59	25	29	39	50
	Return on equity before tax (%)***)	15.2	7.0	20.8	20.2	12.9	8.6
	Return on equity after tax (%)	12.0	5.4	16.5	16.2	10.4	7.4
FINANCIAL RATIOS	Earnings per share	3.6	0.4	5.0	5.0	3.1	2.0
	Diluted earnings per share	3.6	0.4	4.9	4.9	3.1	2.0
	Net asset value per share	30	30	30	31	30	28
	Share price, end of period	49.3	49.3	81.0	54.0	48.4	32.7
	Price/NAV	1.65	1.65	2.67	1.73	1.60	1.17
	Average no. of shares (in thousands)	158,150	155,264	161,438	165,839	169,236	170,194
	No. of shares at year-end, diluted (in thousands)	157,955	157,955	161,708	166,218	172,509	173,002
	Average no. of shares, diluted (in thousands)	159,723	158,214	163,840	169,321	173,007	173,311
	Dividend per share****)	1.5	1.5	1.5	1.5	1.5	0.5
	Dividend per share, extraordinary*****)	1.5	1.5	1.5	3.5	1.5	–
	No. of shares bought back (in thousands)	3,307	652	4,768	6,472	574	–
	Avg. price of shares bought back, DKK	65.5	53.8	59.4	47.7	46.7	–

*Profit for 2014 is exclusive of minority interests of DKK 8 million after tax.
**The calculation of return on equity before tax for 2018 takes into account deferred tax of DKK 49 million from an intangible asset (customer relationships) derived from the acquisition of activities from Saxo Privatbank.
***Return on equity in the parent company is calculated before tax in subsidiaries.
****Proposed dividend for the financial year.
*****Proposed extraordinary dividend for the financial year.

Comparative figures for 2015 for Non-life Insurance and the group have been restated to reflect new financial reporting rules applicable to insurance companies. The comparative figures for Life Insurance have not been restated. The comparative figures for 2014 have not been restated.

Outlook for *2019*

Expectations are for an overall pre-tax profit of DKK 500-600 million.

Expectations for a consolidated profit in the range of DKK 500-600 million before tax are maintained.

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2019. The group has a substantial portfolio of investment assets, and the low level of interest rates is affecting all of the group's business areas.

The profit forecast for 2019 is impacted by continued investments in digitalisation and growth in all business areas.

Non-life Insurance

The group's non-life operations are expected to generate pre-tax profit of DKK 475 million in 2019. The guidance is exclusive of the run-off result.

After a year of extremely low expenses for weather-related claims in 2018, the level of weather-related and major claims is expected to return to a normal level in 2019.

The combined ratio is expected to be 91-92, and the expense ratio is expected to be at the level of 17.

Full-year premium growth is expected to be at the level of 2-3%.

Life Insurance

Life insurance operations are expected to report a pre-tax profit in the region of DKK 80 million, with growth in regular premiums expected to be in the 7-8% range in 2019.

Banking

The guidance for the bank is adjusted from about DKK 100 million to a pre-tax profit of about DKK 80-100 million before amortisation of customer relationships to the tune of DKK 30 million. The adjustment is due to the significant uncertainty in the financial markets at the beginning of the year.

Retail lending is expected to report net growth of around 5-8% in 2019.

Outlook

DKKm	
Expected consolidated profit/loss before tax	**500-600**
Non-life Insurance	475
Life Insurance	80
Banking*	80-100
Other activities	-65

*Before amortisation of customer relationships

Other activities

Other activities comprise costs and interest related to the parent company Alm. Brand A/S. Other activities are expected to report a loss of DKK 65 million before tax in 2019. ■

Combined ratio

91-92

Expected combined ratio of Non-life Insurance.

Growth in Life Insurance

7-8%

Expected growth in regular premiums in Life Insurance.

Growth in lending

5-8%

Expected growth in bank loans provided to retail customers.

Alm. Brand for the Customer

Alm. Brand for the Customer defines the group's strategy for the period until 2022

Alm. Brand for the Customer defines the group's strategy towards 2022 and was introduced in 2017. The overall goal is to create a whole new experience for the group's customers. Alm. Brand wants to take care of the full range of our customers' financial needs in all three business areas, to be proactive in our advisory service offerings and to offer our customers top of the line solutions tailored specifically to their individual needs and situation.

The goal is to be able to serve customers wherever and whenever they need it and to give them an overall view of all of their business, providing advice and solutions either through their personal Alm. Brand adviser or through our strong offering of digital self-service options.

Based on the group's business model combining banking, non-life insurance and life insurance services within a single organisation, Alm. Brand intends to further develop the ambition of offering the market's premier customer experience.

Group customers

One of the group's five strategic goals is to onboard more group customers, i.e. customers sourcing products and services from more than one business division. Alm. Brand's ambition is to have 60,000 group customers by 2022 from a starting point of 40,000 at year-end 2016.

Group customers tend to be more loyal and to have longer-lasting relationships with Alm. Brand. Group customers on average tend to source more products, and average earnings are also higher compared with customers who engage with only one business leg. Accordingly, one of the cornerstones of the strategy is the focus on providing full-range advisory services based on a 360-degree approach to every single customer.

The number of group customers increased by almost 4,000 in 2018, supported among other things by a continued focus on offering customers customised and tailored advisory services. One of the focus areas in 2018 and also in 2019 is the opening of new advisory centres, offering customers advice across the full spectrum of their financial needs with a special emphasis on ensuring coherence and optimisation of customer finances.

Customer satisfaction

Another key focus of the group's strategy is high customer satisfaction, which is one of the group's five strategic goals. The aim is to raise customer satisfaction – measured in terms of NPS (net promoter score) – to 60 in the period until 2022 from 42 at year-end 2016.

This is an ambitious goal, and our work to strengthen the customer experience in 2018 included a number of initiatives, including the launch of a new customer-centric website and a range of new products and digital solutions tailored to the customers' needs. At year-end 2018, the customer satisfaction rate was at 46, and we expect that the many initiatives implemented will lift the customer experience even higher.

Employee satisfaction

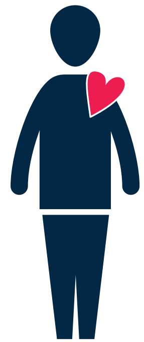
Another strategic focus is to maintain a high level of employee satisfaction, which has ranked among the highest scores in the industry for several years. Our employee satisfaction target is 80, and at the January measurement it was 79.

The number of group customers increased by close to 10% to some 44,000

Growth and return on equity

The group's goal is to achieve top-line growth of 4% annually. All business areas contribute to the growth ambition by pursuing their own growth targets. In 2018, all business areas contributed to the overall growth of 3.7%. Moreover, Alm. Brand has made it a goal to deliver a return on equity of at least 12.5%.

Return on equity was at 15% in 2018, exceeding the target by a fair margin, driven in particular by favourable developments in both Non-life Insurance and Life Insurance. ■



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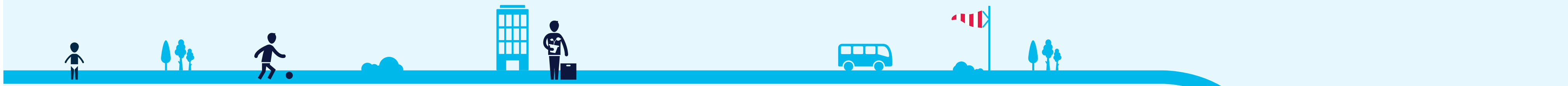
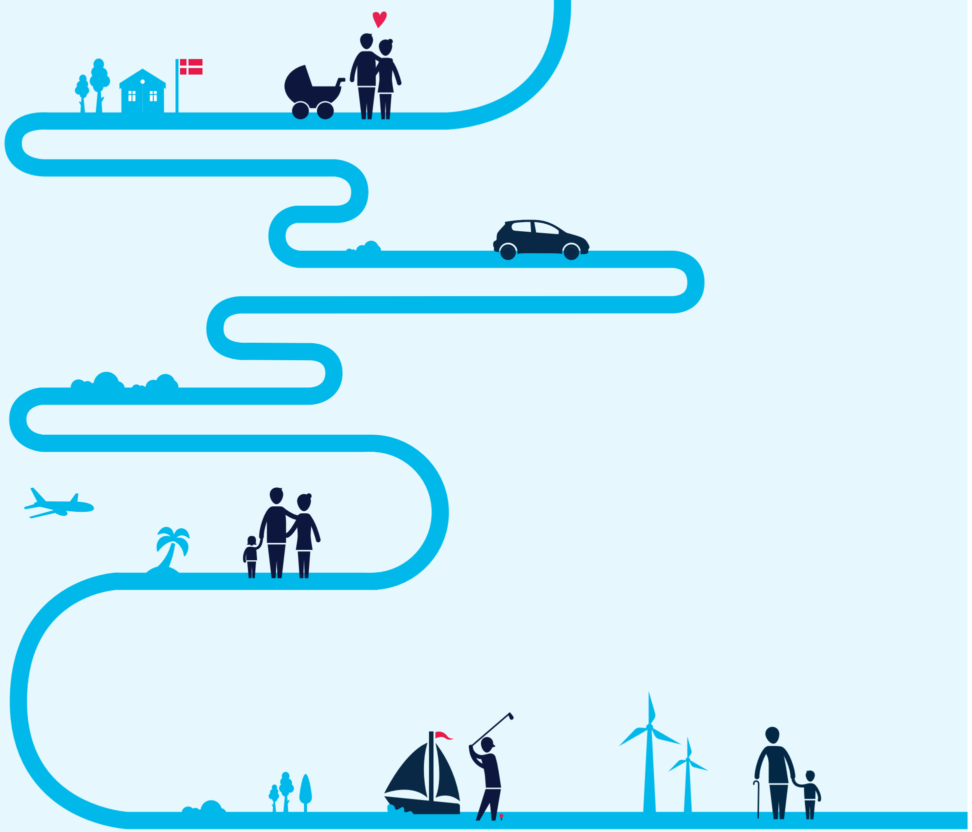


Non-life Insurance

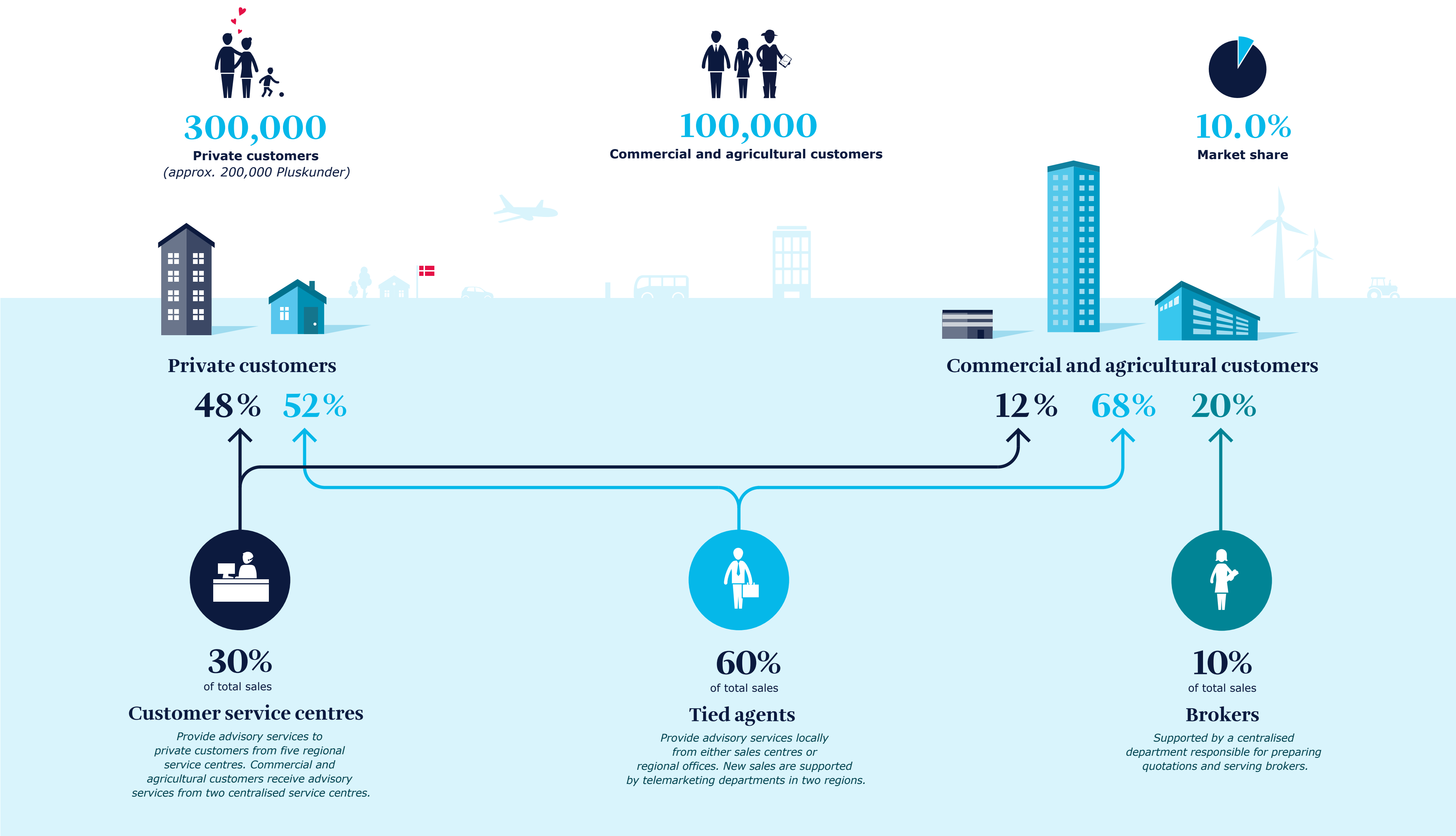


Non-life Insurance is the group's core business, exclusively targeting the Danish market with a special focus on private customers, small and medium-sized enterprises, property owners and administrators, agricultural customers and the public sector.

Financial ratios

Gross premiums	Combined ratio	Profit before tax
5,274 DKKm	87.0	652 DKKm

Denmark's *4th largest* insurer



Non-life Insurance

Highly satisfactory pre-tax profit of DKK 652 million, growth of 2.3% and few weather-related claims.

MARKET
According to the Danish Insurance Association's official statistics measured over a period of four quarters, the overall Danish market for direct insurance saw growth in annual premiums of 5.7% from Q3 2017 to Q3 2018.

Almost half of the growth recorded in the market was driven by health and personal accident insurance, which includes coverage of loss of earning capacity. Alm. Brand holds a very small share of this market.

In the other segments of the market, Alm. Brand has maintained the level of its overall market share at about 10%, but with minor shifts between the segments. Alm. Brand's growth was mainly driven by Motor and Workers' Compensation, which are also the most profitable lines.

In recent years, both the private customer insurance market and the motor insurance market have been characterised by fierce competition, which was previously especially attributable to medium-sized market players. Alm. Brand is now experiencing that its major competitors have increased their focus on growth.

Total gross premiums in the motor insurance market, comprising both private and commercial vehicles, increased by 3.2% from 30 September 2017 to 30 September 2018. Alm. Brand recorded significantly stronger growth of 6.6% in the same period.

Private
Alm. Brand reported overall growth of 1.0% in Private, where a greater inflow of customers in motor insurance lines more than offset a slight outflow of customers in Building and Contents in particular.

The private customer insurance market excluding motor and health/personal accident insurances grew by 4.6%. Management is attentive to market developments and throughout 2018 implemented measures to support increased growth.

Motor
Car sales tapered off slightly in 2018 relative to 2017, but was still at a very high level with 218,500 new vehicle registrations. Micro and mini cars continue to represent a large proportion of car sales, but the share of these cars has dropped significantly, while the sale of SUV-type cars has increased correspondingly. In addition, sales of electric and hybrid cars have soared, seeing a twofold and a fivefold increase in sales, respectively, although still representing less than 2% of total vehicle registrations in spite of the improvement. SUVs and electric/hybrid cars are typically more expensive to insure than smaller-sized cars.

Commercial
In 2018, Alm. Brand saw an overall increase in Commercial of 3.6%, primarily driven by an inflow of customers in motor and workers' compensation insurance lines.

Growth in motor insurance was supported by the acquisition of a portfolio of taxicab owners in 2017, and growth was also reported in the haulage contractor segment, which is a relatively new segment to Alm. Brand.

Alm. Brand is continuously working to develop new products and adjust existing products.

The commercial insurance market excluding motor insurance increased by 3.8% from Q3 2017 to Q3 2018. During the same period, Alm. Brand recorded above-market growth in workers' compensation insurance, but weaker growth in fire insurance.

Small and medium-sized businesses
The market for insurance of small and medium-sized enterprises has not changed to any significant extent in recent years.

The market remained fiercely competitive in 2018, as some insurers accept writing business at lower premiums than they did previously in order to attract new customers. Generally, competition from non-Danish players has become less pronounced than previously. On the other hand, competition from other Danish players in the commercial customer market has increased.

Competition in the field of workers' compensation insurance in particular has been tough for a long time. Price is often the key determinant when customers choose where to place their business and, as opposed to previously, workers' compensation insurance is increasingly being placed separately from other insurance products.

Brokers

In recent years, the major insurance brokers have focused increasingly on offering standardised insurance terms, making the insurance premium the key competitive parameter for customers in this segment. The trend towards standardised insurance terms may cause market shares to shift over the next few years. Alm. Brand retains its focus on offering customers advice tailored to their specific needs and individual product solutions, while not wanting to compromise on either profitability or insurance terms.

Agriculture

Alm. Brand is a leading insurance provider to Danish agriculture with an estimated market share of more than 30%. Competition is particularly fierce within insurances for productive farms. Combined with the fact that the trend in this sector is towards larger but fewer farms, the number of productive farms is strongly declining and has been so for many years. However, the farm buildings remain and are taken over by customers whose insurance needs and service expectations are in many ways similar to those of private customers.

For a number of years, Alm. Brand has worked with individual farmers on claims prevention, including ensuring an ongoing dialogue with the farmers with a view to eliminating potential fire hazards and reducing the risk of theft.

Product development

Alm. Brand is continuously working to develop new products and adjust existing products in order to offer its customers special benefits. Alm. Brand increasingly involves existing and prospective customers in the work to shape its products. At the same time, Alm. Brand is giving strong priority to developing products in digital solutions that support its strategic goals.

New travel insurance product

In March 2018, Alm. Brand launched a new modular travel insurance product, allowing customers greater freedom to tailor their travel insurance specifically to suit their individual requirements. The product was well received by the market, and in a test conducted by the Danish Consumer Council THINK it was ranked number one among products that can be bought without any ties to other insurance products. Alm. Brand is in the process of offering all customers conversion to the new product.

Moreover, from July, the basic cover on the new product was offered at no extra charge to all customers of Alm. Brand Bank who have a Mastercard Gold or Platinum credit card. This means that these customers avoid double insurance and save the insurance premium on the basic cover, but at the same time have the option of purchasing optional covers for the insurance in order to tailor it specifically to their individual requirements.

ID Sikring – extension of cover

In July 2018, Alm. Brand extended its identity theft insurance "ID Sikring", which is a component of the contents insurance product, to also cover online abuse and harassment. Focus is on providing preventive advice on how to best protect oneself and one's family online. If a policyholder has fallen victim to harassment, false profiles or unintended distribution of e.g. photos, Alm. Brand now offers assistance with respect to closing false profiles and e-mail accounts or arranging for any offensive material or comments published without the policyholder's consent to be removed from the Internet.

New workers' compensation product

In August 2018, Alm. Brand launched a new workers' compensation product containing a number of improvements to its standard covers. In addition, Alm. Brand now also offers coverage for loss of business income due to sickness in instances where the company owner or other key employees of the company become incapacitated for work for a period of time. The new product generally positions Alm. Brand more strongly in the market with an even better price/risk differentiation. In the upcoming period, all customers will be contacted to ensure that they are offered this new product.

FINANCIAL RESULTS FOR FY2018

Non-life Insurance generated a highly satisfactory pre-tax profit of DKK 652 million in 2018. Relative to the exceptionally strong pre-tax profit of DKK 917 million reported in 2017, the 2018 performance was affected by a negative investment result and lower run-off gains as well as by a DKK 30 million expense triggered by the bankruptcy of Alpha Insurance.

The technical result amounted to a profit of DKK 685 million in 2018, against DKK 805 million in 2017.

The combined ratio was 87.0 in 2018, being favourably affected by fewer expenses for weather-related claims and by run-off gains. Net of run-off gains on claims provisions, the combined ratio was 90.7 in 2018, marking a slight improvement relative to the expected level of 91-92.

The underlying combined ratio was 82.4 in 2018, which was in line with expectations.

Premiums

Gross premiums increased by 2.3% to DKK 5,274 million in 2018, which was in line with expectations and was achieved in a market that remained fiercely competitive. Growth was recorded in particular in the important motor insurance market and on workers' compensation insurance.

The retention rate remains high in both commercial and private lines.

Claims experience

The claims experience for 2018 was 69.8%, against 66.9% in 2017, when claims expenses were at a particularly low level. Relative to expectations, the 2018 claims experience was favourably affected by fewer expenses for weather-related claims, but adversely affected by slightly higher-than-expected expenses for major claims.

Net of run-off gains, the claims experience was 73.5%, which was better than expected.

Weather-related claims

In 2018, the weather was generally characterised by an unusually dry summer and by the absence of severe windstorms, but also by a number of heavy rain and cloudburst incidents in autumn, which did not, however, result in significant claims expenses. Overall, the number of weather-related claims was significantly lower than expected for the year. Net of reinsurance, expenses for weather-related claims totalled DKK 62 million in 2018, against 77 million in 2017. Overall, weather-related claims affected the combined ratio by 1.2 percentage points in 2018, which was significantly lower than the normal range of 3-4 percentage points expected at the beginning of the year.

Major claims

Both the number of major claims and total claims expenses for major claims were somewhat lower than most recently guided for 2018. In particular the second and fourth quarters saw many major claims, but the year was without any single claims large enough, whether in size or number, to trigger compensation under the reinsurance covers. Net of reinsurance, expenses for major claims totalled DKK 383 million, which was DKK 42 million more than in 2017. Overall, major claims affected the combined ratio by 7.3 percentage points in 2018, which was within the normal range of 7-8 percentage points expected at the beginning of the year.

Underlying business

The underlying claims ratio was 65.2 in 2018, being favourably affected by a generally good claims experience. The underlying claims ratio was generally slightly better than the expected level in spite of many fire claims and large claims payouts on

Combined ratio

	2018	2017	2016	2015	2014*
Combined ratio, underlying business	82.4	81.3	80.4	78.9	77.0
Weather-related claims, net of reinsurance	1.2	1.5	2.2	4.4	4.2
Major claims, net of reinsurance	7.3	6.6	7.4	5.3	5.8
Reinstatement premium	0.0	0.0	-0.1	0.3	1.1
Run-off result, claims	-3.7	-5.3	-7.9	-8.5	-2.6
Change in risk margin, run-off result and current year	-0.2	0.3	0.2	0.0	-
Combined ratio	**87.0**	**84.4**	**82.2**	**80.4**	**85.5**

*Figures for 2014 have not been restated to reflect current financial reporting rules, but have been stated on the basis of previous rules.

health and personal accident insurance in the second half of the year. The underlying claims ratio was 1.4 percentage points higher than in 2017, which was affected by an unusually low level of claims expenses, however.

Run-off result
Run-off gains on claims net of reinsurance amounted to DKK 196 million in 2018, against DKK 275 million in 2017. Run-off gains were in 2018 mainly attributable to the personal lines workers' compensation and accident insurance as well as to motor insurance. The level of run-off gains on workers' compensation insurance was generally lower than in previous years. Moreover, the run-off result was adversely affected by an extraordinary expense of DKK 30 million on workers' compensation to cover Alm. Brand's expected share of the market's net expenses following the bankruptcy of Alpha Insurance.

Risk margin
The change in the overall risk margin affected the 2018 performance by a net income of DKK 12 million, equivalent to 0.2 of a percentage point. The amount is composed of a DKK 72 million income attributable to the run-off result and a DKK 60 million expense related to the building-up of risk margin on claims reported in 2018. By comparison, the 2017 result was affected by a net expense of DKK 12 million, equivalent to 0.3 of a percentage point, which was made up of a DKK 48 million income attributable to the run-off result and a DKK 60 million expense related to claims reported in 2017.

Costs
Total costs amounted to DKK 908 million in 2018 (2017: DKK 901 million). Costs for the year equalled an expense ratio of 17.2, which was in line with expectations. Relative to 2017, the expense ratio improved by 0.3 of a percentage point driven by the growth achieved in 2018.

Net reinsurance ratio
The net reinsurance ratio for the year was 4.6 in 2018, against 3.6 in 2017 (an expense in both years). There were no claims events in 2018 large enough to trigger compensation under the reinsurance covers.

Discounting
From 31 December 2017 to 31 December 2018, the yield curve, which is used for discounting purposes, increased slightly at both the short end and the long end. Due to the composition of the expected cash flows, the technical provisions are affected the most by movements in short-term interest rates. Overall, interest rate developments reduced the combined ratio by 0.4 of a percentage point.

PRIVATE
The technical result was a profit of DKK 334 million in 2018, against DKK 351 million in 2017.

The combined ratio was 87.5, which was satisfactory. Relative to expectations, the result was favourably affected by lower expenses for weather-related claims, a generally improved underlying claims ratio and run-off gains, but adversely affected by large claims payouts on the health and personal accident portfolio.

Premium income was up by 1.0% to DKK 2,670 million, which was more or less in line with expectations for the year as a whole. Growth was in line with expectations in the first three quarters of the year, but tapered off in the fourth quarter. Growth is still recorded on motor insurance in particular, driven by a slightly higher average premium. Competition in private lines is fierce and is particularly prominent within precisely motor insurance, but other lines are also feeling the effects of a competitive market, as terminations tend to involve the entire household insurance portfolio. In spite of competition, the customer retention rate was 90.8 at 31 December 2018, which was 0.1 of a percentage point above the level reported at 31 December 2017 and very positive.

Private

DKKm	2018	2017
Gross premium income	2,670	2,644
Gross claims expenses	-1,771	-1,726
Insurance operating expenses	-514	-505
Profit/loss on reinsurance	-51	-62
Technical result	**334**	**351**
Run-off result, claims	95	119
Run-off result, risk margin	30	24
Gross claims ratio	66.3	65.3
Net reinsurance ratio	1.9	2.4
Claims experience	**68.2**	**67.7**
Gross expense ratio	19.3	19.0
Combined ratio	**87.5**	**86.7**

The claims experience excluding run-off gains on claims was 71.8%, against 72.2% in 2017.

Net of reinsurance, total weather-related claims amounted to DKK 21 million (2017: DKK 29 million). In spite of several heavy rain and cloudburst incidents in August and September following the drought period in summer, expenses for weather-related claims for the year were below the expected level. Weather-related claims affected the combined ratio by 0.8 of a percentage point, against 1.1 percentage points in 2017.

Expenses for major claims totalled DKK 78 million net of reinsurance, which was in line with expectations, affecting the combined ratio by 2.9 percentage points. In 2017, expenses for major claims were DKK 55 million and affected the combined ratio by 2.1 percentage points. The underlying claims ratio was 68.3 in 2018, which was slightly better than expected, and 0.5 of a percentage point better than in 2017. The claims ratio fell on a number of large products in general and was favourably affected, among other things, by the continuing in 2018 of recent years' declining trend in the number of burglary and theft claims, with Alm. Brand recording the lowest level of burglary claims in more than eight years. However, the claims ratio was adversely affected by 0.6 of a percentage point by a poor claims experience only on the small health and personal accident portfolio, which saw higher expenses than anticipated in the second half of 2018.

The run-off result on claims net of reinsurance was a gain of DKK 95 million (2017: DKK 119 million), mainly attributable to gains on motor and personal accident insurance.

The change in the overall risk margin affected the 2018 performance by an income of DKK 5 million, equivalent to a favourable effect of 0.2 of a percentage point on the combined ratio.

COMMERCIAL

The technical result was a profit of DKK 351 million in 2018, against a profit of DKK 454 million in 2017.

The combined ratio was 86.5, which was slightly higher than expected and 4.6 percentage points higher than in 2017, which saw an exceptionally strong result.

Premium income was up by 3.6% to DKK 2,604 million, which was more or less in line with expectations. Growth was in line with expectations in the first three quarters, but tapered off slightly in the fourth quarter. Alm. Brand sold more insurances than anticipated in 2018 in spite of the persistently highly competitive commercial market. Generally speaking, competition from non-Danish players has become less intensive, whereas competition from other Danish players in the commercial market has increased. Competition is particularly fierce within insurances for productive farms.

The customer retention rate remained high. Increasing gradually over the past nine months, the retention rate stood at 91.2 at 31 December 2018, which was 0.4 of a percentage point above the level at 31 December 2017 and very positive.

The claims experience excluding run-off gains on claims was 75.3%, against 72.5% in 2017.

Net of reinsurance, total weather-related claims amounted to DKK 40 million, which was DKK 8 million less than in 2017. In spite of several heavy rain and cloudburst incidents in August and September 2018 following the drought period in summer, expenses for weather-related claims for the year were significantly below the expected level. Weather-related claims affected the combined ratio by 1.5 percentage points, against 1.9 percentage points in 2017.

Commercial

DKKm	2018	2017
Gross premium income	2,604	2,513
Gross claims expenses	-1,665	-1,538
Insurance operating expenses	-394	-396
Profit/loss on reinsurance	-194	-125
Technical result	**351**	**454**
Run-off result, claims	101	155
Run-off result, risk margin	42	24
Gross claims ratio	64.0	61.2
Net reinsurance ratio	7.4	4.9
Claims experience	**71.4**	**66.1**
Gross expense ratio	15.1	15.8
Combined ratio	**86.5**	**81.9**

Expenses for major claims was DKK 305 million net of reinsurance, affecting the combined ratio by 11.7 percentage points, which was more than expected. The higher expense was mainly due to a higher number of major claims. The summer drought did not result in any significant major claims due to field and forest fires. In 2017, expenses for major claims were DKK 285 million net of reinsurance and affected the combined ratio by 11.4 percentage points.

The underlying claims ratio was 62.3 in 2018, which was slightly better than expected, and 3.7 percentage points higher than in 2017. The number of fire claims reported on building and contents insurances was higher than expected in Q3 2018. Moreover, in particular residential property insurances failed to produce satisfactory results, as the premium level in this segment of the market has been inadequate for quite a long period of time. Alm. Brand has worked continuously to improve profitability in this segment and in Q4 2018 took additional steps by amending premium and deductible terms for a large number of existing customers. The development relative to 2017 was, among other things, driven by continued growth in lines which are less prone to the risk of weather-related and major claims and for which Alm. Brand therefore accepts an above-average underlying claims ratio for the portfolio.

The run-off result on claims net of reinsurance was a gain of DKK 101 million, against DKK 155 million in 2017. The 2018 run-off result was adversely affected by a DKK 30 million expense on workers' compensation triggered by the bankruptcy of Alpha Insurance. Apart from this, the run-off result was mainly attributable to workers' compensation insurance and to building and contents insurance.

The change in the overall risk margin affected the performance by an income of DKK 7 million, equivalent to a favourable effect of 0.3 of a percentage point on the combined ratio.

The net reinsurance ratio was 7.4 in 2018, against 4.9 in 2017. The level of the net expense for reinsurance in 2018 was a result of the positive fact that there were no claims events large enough to trigger compensation under the reinsurance programme.

INVESTMENT RESULT

The investment result after interest on technical provisions was a loss of DKK 33 million in 2018, against a gain of DKK 112 million in 2017. The performance fell short of expectations by approximately DKK 30 million and should be seen in light of the current market conditions. In addition, a narrowing of the yield spread in 2017 contributed to an exceptionally good result last year.

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

The bond portfolio is placed in Danish government bonds and mortgage bonds, European corporate bonds and derivative

Investment return

DKKm	2018			2017		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	8,480	-4	0.0%	8,511	109	1.3%
Mortgage deeds etc.	941	13	1.3%	1,111	25	2.1%
Equities	212	-18	-7.9%	195	30	16.8%
Properties	13	0	0.6%	13	1	5.4%
Total return on investments	**9,646**	**-9**	**-0.1%**	**9,830**	**165**	**1.7%**
Administrative expenses related to investment activities		-27			-33	
Capital gains related to the discounting of technical provisions		14			-2	
Interest on technical provisions		-11			-18	
Net investment return		**-33**			**112**	

fixed-income instruments. Government bonds and mortgage bonds predominantly have the highest rating possible, while corporate bonds are placed in the investment grade segment and hence have a rating of at least BBB-/Baa3.

The return on bonds was adversely impacted by the sustained low interest rate level. In addition, the bond portfolio was adversely impacted by volatility in the financial markets, including widening spreads on mortgage bonds relative to the corresponding swap rates.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve including a volatility adjustment (VA) premium. The asset portfolio for the hedging of interest rate risk on provisions is composed so as to match fluctuations on provisions occurring in step with market changes in the underlying components of the yield curve. The hedging strategy produced a satisfactory result throughout 2018, and the overall result of the hedging portfolio and value adjustment of provisions was positive at 31 December.

The mortgage deed portfolio includes an option agreement protecting Alm. Brand Forsikring against credit losses, as Alm. Brand Forsikring can sell back mortgage deeds to Alm. Brand Bank if mortgage deed debtors default on their payment obligations. The return on mortgage deeds was positive in 2018.

Alm. Brand Forsikring has limited exposure to equities, consisting primarily of equity futures on international equity indices and a small proportion of strategic equities that support the business. The return on the global equity market was negative in 2018, detracting from performance.

FINANCIAL RESULTS FOR Q4

The group's non-life insurance activities generated a pre-tax profit of DKK 92 million in Q4 2018, against DKK 132 million in Q4 2017.

The performance was lifted by a better weather-related claims experience and a lower expense ratio than in Q4 2017. On the other hand, the performance was significantly impacted by a poor investment return, which was DKK 41 million lower than in Q4 2017, as well as by a DKK 30 million run-off loss triggered by the bankruptcy of Alpha Insurance.

The technical result was a profit of DKK 124 million in Q4 2018 (Q4 2017: DKK 123 million profit). The result was satisfactory and equalled a combined ratio of 90.7 (Q4 2017: 90.6).

Premium income rose by 1.4% to DKK 1,329 million in Q4 2018 from DKK 1,311 million in the same period of last year, which was slightly less than expected and due to moderately weaker growth in motor insurance lines in particular.

Weather-related claims totalled DKK 7 million net of reinsurance in Q4 2018, against DKK 15 million in Q4 2017. The fourth quarter of 2018 was favourably affected by an autumn without any major windstorms, which meant significantly fewer-than-expected expenses for weather-related claims. Weather-related claims affected the combined ratio by 0.5 of a percentage point (Q4 2017: 1.2 percentage points).

Major claims totalled DKK 124 million in Q4 2018 (Q4 2017: DKK 108 million). The number of major claims and expenses for major claims were slightly higher than anticipated in the fourth quarter, especially on commercial buildings. Overall, major claims expenses affected the combined ratio by 9.3 percentage points in Q4 2018 (Q4 2017: 8.2 percentage points), which was higher than the expected full-year level of 7-8 percentage points.

Combined ratio

	Q4 2018	Q4 2017
Combined ratio, underlying business	82.0	82.5
Weather-related claims, net of reinsurance	0.5	1.2
Major claims, net of reinsurance	9.3	8.2
Reinstatement premium	0.0	0.2
Run-off result, claims	-1.1	-1.5
Change in risk margin, run-off result and current year	0.0	0.0
Combined ratio	**90.7**	**90.6**

The combined ratio of the underlying business was 82.0 in Q4 2018, against 82.5 in Q4 2017. The decline was mainly driven by an improvement of the expense ratio, whereas the underlying claims ratio was unchanged relative to last year. However, the underlying claims ratio was adversely affected by one very large motor liability claim (DKK 8 million equivalent to 0.6 of a percentage point) and by a higher number of small and large fire claims on commercial buildings in 2018 as compared with 2017.

Investment return

DKKm	Q4 2018		Q4 2017	
Bonds etc.	9	0.1%	22	0.2%
Mortgage deeds etc.	4	0.4%	3	0.3%
Equities	-27	-12.9%	9	5.5%
Properties	-1	-6.3%	0	-2.6%
Total return on investments	**-15**	**-0.1%**	**34**	**0.4%**
Administrative expenses related to investment activities	-8		-12	
Capital gains related to the discounting of technical provisions	-5		-13	
Interest on technical provisions	-4		0	
Net investment return	**-32**		**9**	

The run-off result on claims net of reinsurance was a gain of DKK 13 million in Q4 2018, against DKK 19 million in Q4 2017. The Q4 2018 run-off result was adversely affected by a provision to cover workers' compensation claims following the bankruptcy of Alpha Insurance. Net of expenses related to the bankruptcy, the run-off result was a gain of DKK 43 million, primarily composed of gains on motor insurance and building insurance as well as a reduced loss on workers' compensation insurance due to adjustments of a few large claims.

The Q4 2018 expense ratio was 17.5, in line with expectations. The expense ratio improved by 0.5 of a percentage point relative to Q4 2017, driven by portfolio growth.

The investment result was a loss of DKK 32 million in Q4 2018, against a gain of DKK 9 million in the year-earlier period. The Q4 2018 investment return was adversely affected by equity market developments. The quarter was characterised by economic, financial and geopolitical unrest, weighing on the financial markets and causing, in particular, an equity market sell-off.

The bond portfolio result was adversely impacted by the pricing of Danish index-linked bonds as a result of downward-trending inflation expectations. The hedging of provisions produced a satisfactory result and neutralised the fluctuations in a volatile quarter, just as the return on the mortgage deed portfolio was in line with expectations.

MAJOR EVENTS

Bankruptcies of Alpha Insurance and Qudos Insurance

The Danish insurance market experienced two rare bankruptcies in 2018, as Alpha Insurance and Qudos Insurance were both declared bankrupt in May and December, respectively. Depending on how and how fast the two estates in bankruptcy are wound up, the bankruptcies may have different financial consequences for Alm. Brand.

Estate in bankruptcy of Alpha Insurance

Alpha Insurance wrote insurance directed at the private and commercial customer markets in Denmark and a number of other EU and EEA countries.

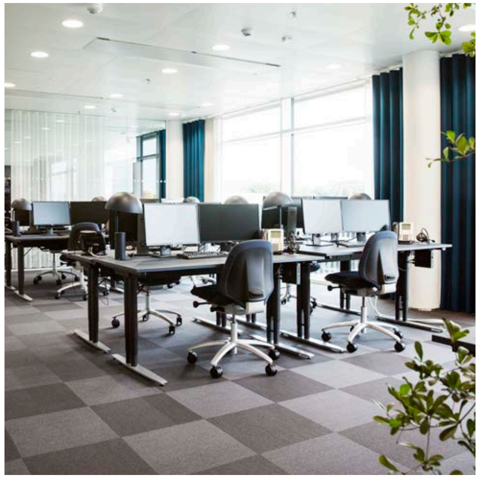
Alpha Insurance's private customers and certain commercial customers will be covered by Garantifonden for skadeforsikringsselskaber (the Danish guarantee fund for non-life insurance companies), while other commercial customers will have to prove their claims for lack of insurance coverage against the estate on an equal footing with other creditors. However, persons injured in connection with an industrial accident will receive full compensation, as this obligation has been taken over by Arbejdsmarkedets Erhvervssikring (AES).

Under workers' compensation legislation and as a result of the company's workers' compensation insurance portfolio, Alm. Brand has an obligation to cover a market share-based proportion of the workers' compensation insurance claims which the AES is unable to recover from the estate in bankruptcy.

Until the estate is wound up, the AES will collect on-account payments from workers' compensation insurance companies, including Alm. Brand, by way of outlays to cover current claims payouts to persons injured. As the estate is not expected to be finally wound up until after a number of years, it is to be expected that these outlays will run into to a substantial amount before they can be fully or partially reimbursed by the AES.

Alm. Brand does not expect to receive reimbursement of all outlays when the estate has been wound up and estimates the total expenses to cover this extraordinary cost at DKK 30 million net of dividend from the estate. The amount of the ultimate net expense for workers' compensation insurance claims related to Alpha Insurance is currently subject to great uncertainty.

Estate in bankruptcy of Qudos Insurance
Qudos Insurance wrote insurances directed at the private and commercial customer markets, but apparently did not write workers' compensation insurance policies. Alm. Brand therefore does not expect to have to cover claims from persons injured under workers' compensation insurances or any other policyholders of Qudos Insurance.



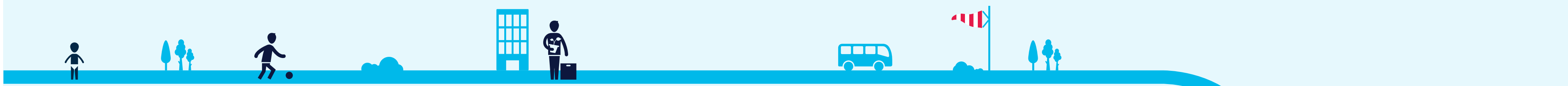
Non-life Insurance

	DKKm	2018	Q4 2018	2017	2016	2015	2014
INCOME STATEMENT	Gross premium income	5,274	1,329	5,157	5,028	5,061	5,058
	Technical interest	–	–	–	–	–	5
	Claims expenses	-3,436	-923	-3,264	-3,034	-3,018	-3,579
	Insurance operating expenses	-908	-232	-901	-851	-807	-787
	Profit/loss on reinsurance	-245	-50	-187	-247	-245	47
	Technical result	**685**	**124**	**805**	**896**	**991**	**744**
	Interest and dividends, etc.	146	36	188	217	237	202
	Capital gains and losses	-155	-51	-23	22	-253	-221
	Administrative expenses related to investment activities	-27	-8	-33	-32	-30	-21
	Return on and value adjustment of technical provisions	3	-9	-20	-136	7	-53
	Investment return after return on and value adjustment of technical provisions	**-33**	**-32**	**112**	**71**	**-39**	**-93**
	Profit before tax	**652**	**92**	**917**	**967**	**952**	**651**
	Tax	-139	-20	-196	-204	-214	-161
	Profit after tax	**513**	**72**	**721**	**763**	**738**	**490**

Key figures and ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds. A new executive order entered into force effective from 1 January 2016.

Comparative figures for 2015 have been restated as a result of changes therein. The comparative figures for 2014 have not been restated.

	DKKm	2018	Q4 2018	2017	2016	2015	2014
BALANCE SHEET	Run-off result, claims	196	13	274	398	429	131
	Run-off result, risk margin	72	10	48	48	56	–
	Total provisions for insurance contracts	7,147	7,147	7,203	7,239	7,397	7,571
	Insurance assets	148	148	141	170	227	298
	Total shareholders' equity	2,400	2,400	2,493	2,587	2,750	2,423
	Total assets	10,553	10,553	10,702	10,808	11,114	10,868
FINANCIAL RATIOS	Gross claims ratio	65.2	69.4	63.3	60.4	59.6	70.8
	Net reinsurance ratio	4.6	3.8	3.6	4.9	4.9	-0.9
	Claims experience	**69.8**	**73.2**	**66.9**	**65.3**	**64.5**	**69.9**
	Gross expense ratio	17.2	17.5	17.5	16.9	15.9	15.6
	Combined ratio	**87.0**	**90.7**	**84.4**	**82.2**	**80.4**	**85.5**
	Combined ratio excluding run-off result	90.7	91.8	89.7	90.1	88.9	88.1
	Relative run-off result	5.0	0.3	7.0	8.7	8.9	2.5
	Return on equity before tax (%)	28.4	15.0	38.5	38.6	38.2	29.5
	Return on equity after tax (%)	22.3	11.6	30.6	30.5	29.6	22.2



Life Insurance

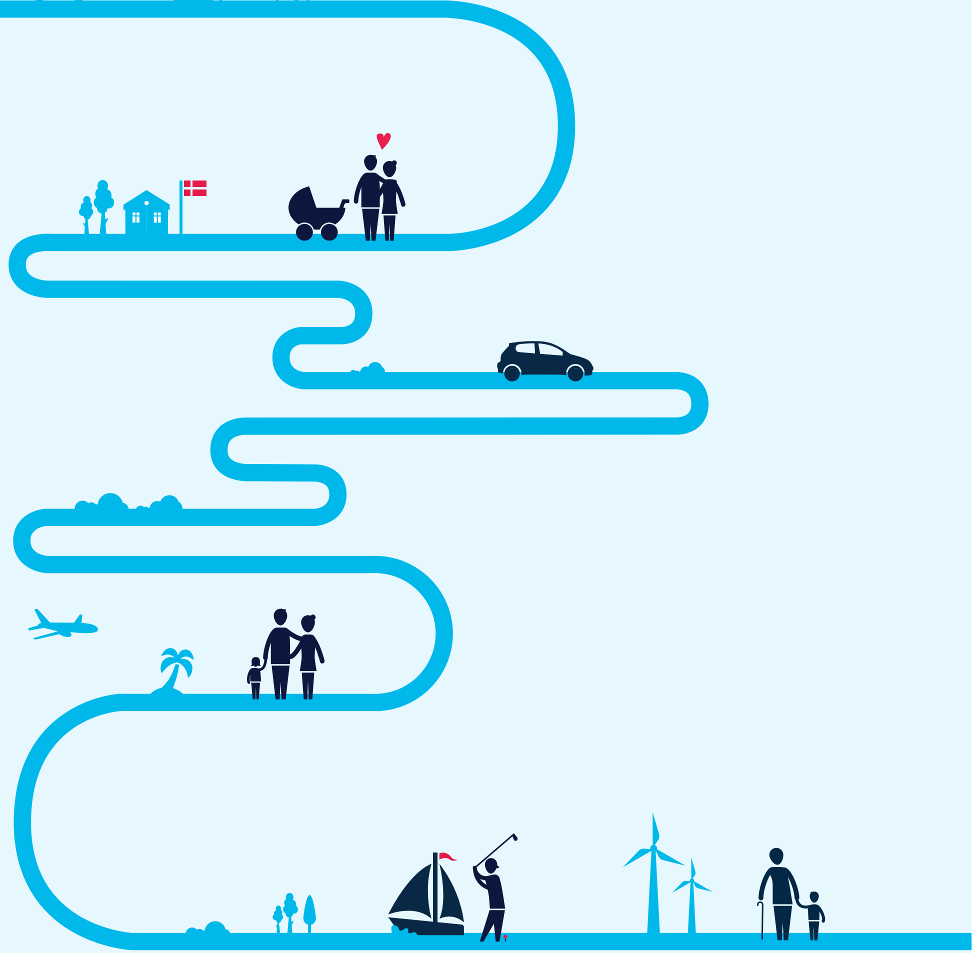
Life Insurance offers life insurance, pension savings and pension insurance with a particular focus on private individuals, owners and employees of small businesses, and farmers.

Financial ratios

Gross premiums
2,004
DKKm

Bonus rate
18.6
Per cent

Profit before tax
104
DKKm



Life Insurance based on *personal* advice

65,000
Customers
(Approx. 40% are also customers of Non-life Insurance or Banking)

Private customers

Commercial customers

Agricultural customers

38%
of total sales
Tied agents
Facilitate customer contact to consultants and handle more simple pension schemes locally at the customers' premises.

52%
of total sales
Consultants
Work closely with the insurance agents and focus on more complex pension schemes.

10%
of total sales
Branches
Branch-based pension advisers work closely with the bank advisers who have the primary contact to customers.

Customer service centres
Provide customer service and answer questions of a more technical nature.

Life Insurance

Highly satisfactory pre-tax profit of DKK 104 million and strong growth of 44%.

MARKET

The pension market consists of three types of schemes:

- Unrestricted individual schemes paid either by employers or by private individuals
- Mandatory or voluntary corporate schemes under which employees are covered by a pension agreement between their employer and a pension provider
- Labour market-related schemes for which membership of a particular pension company or pension fund is mandatory

The product range comprises insurance cover and various types of savings. The main types of insurance are death cover, disability cover, critical illness cover and health insurance, whereas savings comprise retirement pension, instalment pension and annuity schemes.

Consolidation has been prominent in workers' compensation lines as well as in the commercial customer market in recent years Among other things, this trend is driven by the increased regulatory focus and resulting administrative burdens. Alm. Brand Pension addresses the stricter requirements through its growth strategy, thereby increasing economies of scale for the company, and efforts are continually made to achieve synergies from sharing functions with the rest of the Alm. Brand Group.

The vast majority of the market is based on the principle of tax deductibility at the time of payment and taxation at the time of disbursement. In recent years, the tax deductibility options have been significantly reduced. In 2018, annuity pension schemes were fully deductible, while instalment pension schemes were subject to a tax deductibility cap of DKK 54,700, and retirement pension ceased to be tax deductible.

In recent years, a number of pension companies have increasingly urged their customers to convert existing schemes into market rate products, which typically eases the company's provisioning requirement. Alm. Brand Pension has opted to continue to offer both the average rate product with guaranteed benefits and market rate products offered through Alm. Brand Bank. The average rate product provides greater security for policyholders, and because of the company's considerable investment buffers, the product is highly competitive relative to market rate products.

Volatile financial markets

Financial markets were generally characterised by uncertainty in 2018, among other things due to political trade war news flows, government crises and the looming Brexit. These developments caused an equity market sell-off over the course of the year amid rising volatility. Moreover, the yield spread on corporate bonds widened relative to swap rates. Emerging market bonds had a tough year due to political instability in a number of countries. Danish mortgage bonds performed better, experiencing only moderately widening spreads.

The rate on policyholders' savings is 3.5% in 2019.

The drop in Danish long-term yields supported the performance of long-term mortgage bonds, while short-term yields remained unchanged.

Despite the difficult financial market conditions, Alm. Brand Pension maintains a high bonus rate, allowing the company to continue to offer a rate on policyholders' savings of 3.5% for new customers in 2019 – the highest rate in the market. This supports the company's growth ambitions, which are focused in particular on the corporate pensions market. As a result of the company's strong financial position, the individual solvency requirement was stable throughout the period.

FINANCIAL RESULTS FOR FY2018

Life Insurance achieved a total pre-tax profit of DKK 104 million in 2018, which was better than expected and DKK 11 million higher than in 2017. The full-year performance was highly satisfactory.

The profit was composed as follows:

- Expense and risk result of DKK 70 million
- Interest rate result of DKK 27 million
- Profit of DKK 10 million from the group life insurance business
- Profit of DKK 1 million from life annuities without bonus entitlement
- Negative return on investment allocated to equity of DKK 4 million

The significant improvement was mainly driven by a better expense result – among other things due to growth in customer fund inflows in 2018. The 2018 performance should also be seen in the context that the 2017 performance was affected by a DKK 14 million one-off gain on the portfolio of life annuities without bonus entitlement.

The negative financial markets in 2018 combined with a rate on policyholders' savings of 5% caused the collective bonus potential to decrease from DKK 1,705 million at 31 December 2017 to DKK 1,220 million at 31 December 2018. In addition, the company in 2018 increased provisions in response to increased longevities, among other things. The bonus rate remains among the best in the market at a total of 18.6%, enabling the company to continue to offer a competitive rate on policyholders' savings. At 3.5% in 2019, the rate on policyholders' savings is still be the highest rate offered in the market.

Measured in terms of the volume of customer funds, AUM (assets under management) increased to DKK 14.5 billion at 31 December 2018, marking an increase of 5.3% relative to the year-earlier date. The increase was attributable to fair growth in customer contributions.

Pension contributions

Payments into guaranteed schemes

Total premium income for the year was up by 43.8% relative to 2017, amounting to DKK 2,004 million in 2018 (2017: DKK 1,394 million), which was highly satisfactory.

Regular payments were up by 8.8% to DKK 766 million, while single payments increased by 79.5% to DKK 1,238 million. The improvement was, among other things, due to fair growth in the corporate customer segment, which benefited from customers moving their entire portfolio to Alm. Brand Pension. In addition, there was an exceptionally high inflow of single payments on both corporate and private pension schemes.

The substantial growth in the corporate customer segment should be seen in the light of several strategic initiatives which have contributed to supporting developments. These include simplified access for customers via digitalisation in the underwriting process and a more simple process for the provision of health statements. Moreover, Life Insurance has adjusted prices on selected products with a view to improving its competitive strength.

In addition to making payments into Life Insurance, customers have the option of paying into market-based investment schemes with the bank.

Benefits paid

Benefits paid totalled DKK 1,030 million in 2018 (2017: DKK 1,032 million). The flat performance was partly due to an increase in pension payouts as a result of the underlying portfolio growth, partly to an 8% reduction in the volume of surrenders. The lower level of surrenders reflects higher customer loyalty, which, when adjusted for portfolio growth, corresponds to a 14% reduction of customer outflow.

Risk result

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 62 million (2017: DKK 60 million).

The risk result continues to reflect a strong performance of disability and mortality risk and was mainly the result of thorough assessments in connection with the process of writing new business. The risk result was highly satisfactory.

Costs

Acquisition and administrative expenses totalled DKK 99 million in 2018, which was unchanged relative to 2017. This is highly satisfactory in light of the company's growth and reflects efficiency enhancements, driven among other things by the company's investments in digital solutions in the underwriting process.

Expense result

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 8 million in 2018. This DKK 21 million improvement on last year was driven by a higher cost contribution and growth. The result was highly satisfactory in light of the fact 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").

Reinsurance

Reinsurance expenses came to a net amount of DKK 4 million in 2018, which was on a par with 2017 and marked a satisfactory performance considering the reduction in risk and, by extension, in fluctuations of the company's results resulting from reinsurance.

Investment return on assets allocated to equity

Investment assets attributable to shareholders' equity amounted to a negative DKK 4 million. This was in line with expectations partly in light of the challenging investment environment with negative short-term interest rates (assets allocated to equity are primarily invested in ultra-short bonds), partly in light of the fact that the return on assets allocated to equity included expenses for the company's subordinated loans in the amount of DKK 150 million.

Investment return on policyholders' funds

Investment assets belonging to policyholders, which amounted to a total of DKK 14.4 billion at 31 December 2018, are placed in bonds, equities and property. The return (before tax on pension returns but after investment costs) on investment assets belonging to policyholders was a negative DKK 17 million, equivalent to minus 0.1%, compared with a return of 6.9% in 2017.

From an overall perspective, the return for the year was not satisfactory. The investment return was impacted by the equity market sell-off as well as by widening spreads on credit bonds and emerging market bonds. Properties and Danish mortgage bonds yielded positive returns. In addition to rental income on the property portfolio, a revaluation of the property portfolio was made, and Danish mortgage bonds were favourably affected by the decline in interest rates witnessed over the course of the year.

The property exposure was reduced in 2017 as a result of the company's divestment of a property at City Hall Square in Copenhagen in July 2017. The property exposure is expected to increase by about DKK 500 million in the first half of 2019, part of which is achieved through European property funds in order to ensure a better risk balance of the portfolio.

Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted by the yield curve for discounting provisions published by EIOPA. The 10-year point on the yield curve was at 1.17% at 31 December 2018, against 1.09% at 1 January 2018. The underlying risk-free rate of interest dropped in 2018, which drop was offset by the 15 basis point increase in the VA premium, making for an increase in the aggregate EIOPA yield curve. The interest rate hike had a positive effect on life insurance provisions and partly offset the negative return on the assets.

Investment return

	Investment assets	Return 2018	Return 2017
DKKm			
Bonds	10,777	0.8%	2.6%
Equities	2,107	-9.7%	14.4%
Properties	1,496	8.5%	20.7%
Total	**14,380**	**-0.1%**	**6.9%**

Life insurance provisions

Total life insurance provisions grew by DKK 687 million to DKK 14.1 billion in 2018. The increase was to a significant extent driven by the net inflow of pension funds.

Profit margin

The profit margin increased by DKK 35 million over the year, from DKK 393 million at 1 January 2018 to DKK 428 million at 31 December 2018. The increase was driven by the higher inflow from customers.

For a long time, 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 prefers a theoretically more sophisticated calculation methodology for the calculation of the profit margin. As a result, Alm. Brand Pension 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.

Bonus rate

The total bonus rate was 18.6% at 31 December 2018, against 23.7% at 1 January 2018. At 1 January 2017, the bonus rate was 20.1%.

Relative to 1 January 2018, the bonus rate declined by 5.1 percentage points. The decline was due to a high rate on policyholders' savings as well as a lower investment return. The lower investment return was due to volatile investment markets in 2018 and in the fourth quarter in particular. New policyholders are placed in interest rate group 0, which had a bonus rate of 19.8% at 31 December 2018. In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was at a highly satisfactory 12.2% at 31 December 2018.

This group continues to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments in order to strike a healthy balance between the group's investments and liabilities.

The collective bonus potentials are calculated per contribution group and remained satisfactory at 31 December 2018.

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

Per cent p.a.	U74*	Interest rate group 0	Interest rate group 1	Interest rate group 2	Interest rate group 3	Total
Technical rate of interest		0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Rate on policyholders' savings 2018		5.00	5.50	5.50	6.00	
Rate on policyholders' savings 2019		3.50	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	9.7	1.1	1.2	2.3	14.4
Bonus rate		19.8	20.6	14.7	12.2	18.6
Return	1.6	-0.5	-0.5	1.1	1.3	-0.1
Distribution of investment assets:						
Bonds	100	72	72	84	86	75
Equities	0	17	17	7	7	15
Properties	0	11	11	9	7	10

* Portfolios without bonus entitlement

FINANCIAL RESULTS FOR Q4

Life Insurance generated a pre-tax profit of DKK 22 million in Q4 2018, against DKK 12 million in Q4 2017.

The Q4 2018 performance was better than expected, primarily driven by a decent risk result and business growth, which resulted in higher earnings from cost contributions.

Due to the volatile financial markets in Q4 2018, the collective bonus potential fell markedly in the last three months of the year. As a result, the bonus rate dropped by 2.2 percentage points in Q4 2018. However, standing at 18.6% at 31 December 2018, the bonus rate remains among the best in the market and enables the company to continue to offer one of the market's highest rates on policyholders' savings.

Investment return

Per cent	Q4 2018	Q4 2018 p.a.	Q4 2017 p.a.
Bonds	0.6	2.5	2.4
Equities	-14.2	-56.7	5.2
Properties	4.9	19.6	5.2
Total	**-1.4**	**-5.6**	**3.2**

Total pension contributions increased by 43% to DKK 561 million in Q4 2018 (Q4 2017: DKK 392 million). On guaranteed schemes, regular payments increased by 4.3%, while single payments grew by 86.1%. Growth was in line with expectations in Q4 2018.

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 11 million (Q4 2017: DKK 12 million).

Acquisition and administrative expenses totalled DKK 27 million in Q4 2018, which was unchanged year on year.

The expense result was positive at DKK 1 million in Q4 2018, marking a DKK 3 million improvement on last year driven by a higher cost contribution and growth.

The return on investment assets belonging to policyholders (before tax on pension returns) was a loss of DKK 202 million for Q4 2018, corresponding to a return of minus 1.4%.

The return on customer investment assets was predominantly negatively affected by equity market developments. The quarter was characterised by economic, financial and geopolitical unrest, weighing on the financial markets and causing, in particular, an equity market sell-off.

Bonds made a positive contribution due to the declining interest rates, even though there was a concurrent slight widening of spreads on mortgage bonds. Moreover, emerging market bonds yielded a positive return relative to the turbulent conditions characterising previous quarters. In addition, a revaluation to market value was performed, as a result of which the property portfolio produced a return of 4.9% in the fourth quarter.

CONTRIBUTIONS TO PENSION SCHEMES HELD WITH THE BANK

In addition to making payments into Life Insurance, customers have the option of paying into market-based investment schemes with the bank.

Total payments into schemes with the bank amounted to DKK 227 million in Q4 2018 (Q4 2017: DKK 273 million). DKK 49 million of the total payments made into schemes with the bank related to the OpsparingPlus product, as compared with DKK 77 million in 2017.

Total pension assets related to pension schemes with the bank amounted to DKK 6.9 billion at 31 December 2018 (31 December 2017: DKK 4.3 billion), marking an increase of DKK 2.5 billion relative to 2017. The increase was driven by the addition of the Saxo Privatbank portfolio.

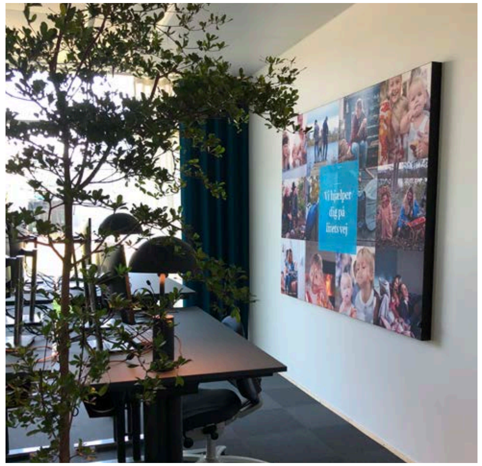
MAJOR EVENTS

Rate on policyholders' savings for 2019

In December 2018, Alm. Brand Pension announced that the company will continue to offer its customers the highest rate on policyholders' savings in the market. For 2019, the rate has been fixed at 3.5% for new customers.

Change in expected longevities

In 2018, the Danish Financial Supervisory Authority changed the benchmark published for expected longevities for the industry. As a result, Alm. Brand Pension has strengthened its provisions for longevities accordingly. This strengthening, along with an update of other provisioning assumptions, resulted in a reduction of the bonus rate of close to 1 percentage point, explaining a part of the bonus rate decline in 2018. ■



Life Insurance

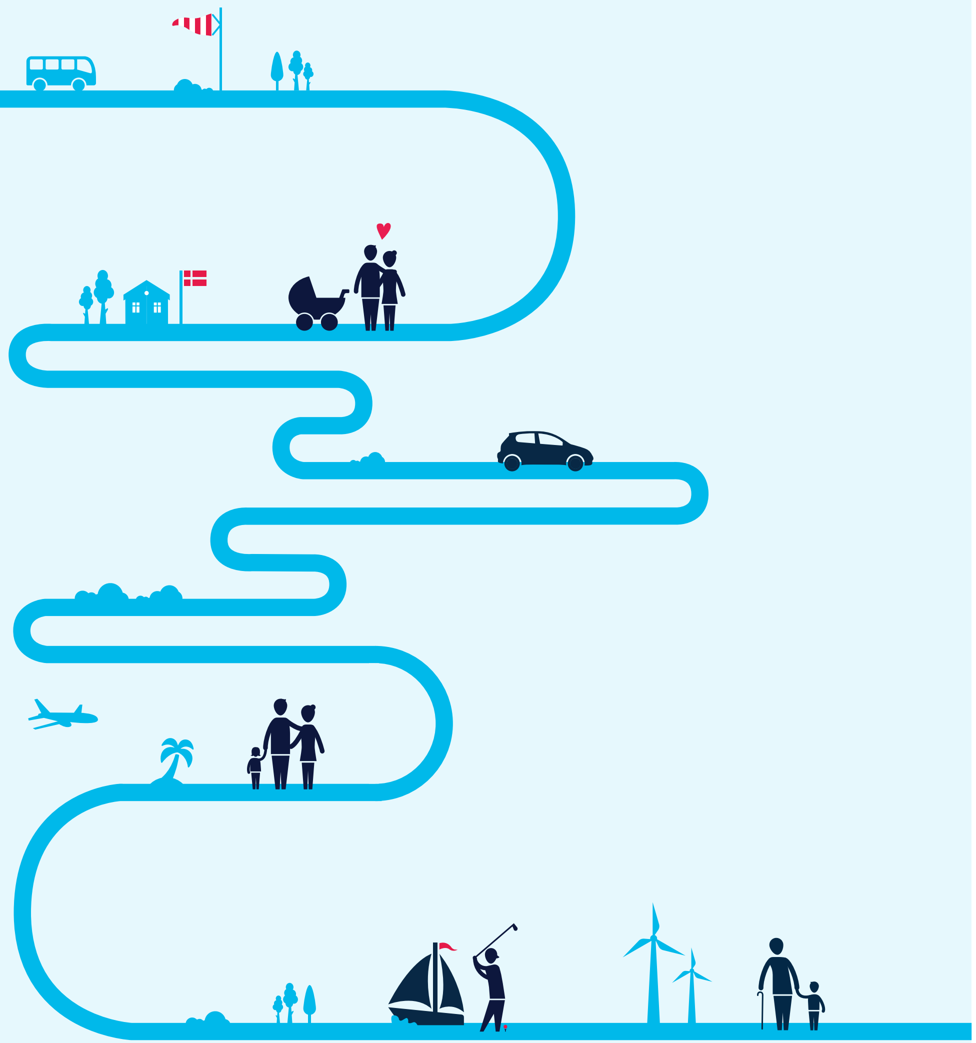
	DKKm	2018	Q4 2018	2017	2016	2015	2014
INCOME STATEMENT	Premiums	2,004	561	1,394	1,281	1,311	1,243
	Investment return after allocation of interest	-41	-173	735	697	132	945
	Benefits paid	-1,030	-236	-1,032	-970	-1,103	-1,185
	Insurance operating expenses	-99	-27	-99	-101	-84	-84
	Profit/loss on reinsurance	-4	-3	-3	-4	-4	-4
	Change in life insurance provisions	-687	-91	-871	-799	-121	-722
	Change in profit margin	-35	-8	-31	-27	–	–
	Change in collective bonus potential	–	–	–	–	-30	-85
	Government tax on unallocated funds	–	–	–	–	-22	-32
	Technical result	**108**	**23**	**93**	**77**	**79**	**76**
	Return on investment allocated to equity	-4	-1	0	7	-1	2
	Profit before tax	**104**	**22**	**93**	**84**	**78**	**78**
	Tax	-25	-7	-16	-10	-1	-21
	Profit after tax	**79**	**15**	**77**	**74**	**77**	**57**
	Return requirement for shareholders' equity						
	Return on investment allocated to equity	-4	-1	0	7	-1	2
	Result of portfolios without bonus entitlement	1	0	14	1	6	-3
	Gruppeliv	10	4	7	8	17	–
	Interest result	27	7	25	21	17	16
	Expense result	8	1	-13	-16	-9	-2
	Risk result	62	11	60	63	48	64
	Profit before tax	**104**	**22**	**93**	**84**	**78**	**77**

	DKKm	2018	Q4 2018	2017	2016	2015	2014
BALANCE SHEET	Total provisions for insurance contracts	14,479	14,479	13,758	12,853	12,030	11,878
	Total shareholders' equity	634	634	800	848	844	818
	Total assets	15,927	15,927	15,244	14,394	13,908	14,246
FINANCIAL RATIOS	Rate of return related to average-rate products	-0.4	–	6.6	6.7	–	–
	Expense ratio of provisions*	0.7	–	0.7	0.8	0.9	0.9
	Expense per individual insured	1,436	–	1,422	1,415	1,152	1,096
	Return on equity before tax (%)	16.0	12.3	11.2	10.1	9.6	9.2
	Return on equity after tax (%)	12.2	8.5	9.2	8.9	9.3	6.8

Key figures and ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 and earlier financial years have not been restated.

*The expense ratio is not fully comparable as the definition was changed in 2016.

Banking

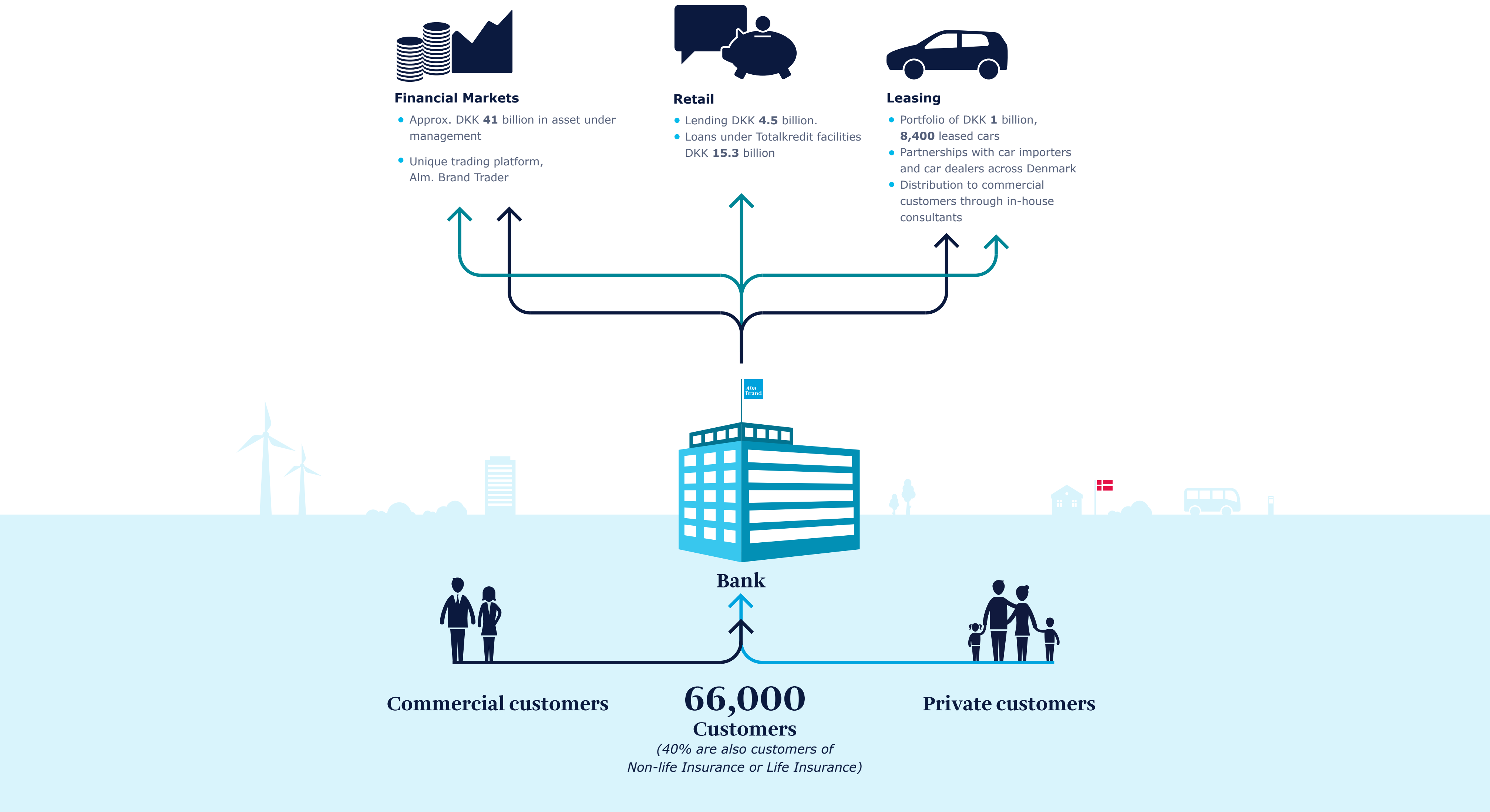


Alm. Brand Bank has nation-wide coverage and is focused on providing banking products and services to private customers and small and medium-sized enterprises, bond, equity and currency trading, private banking and asset management services as well as leasing of cars to private and commercial customers.

Financial ratios

Income	Loans and advances	Profit before tax
604 DKKm	4,452 DKKm	26 DKKm

Helping customers *every* day



Banking

Integration of activities acquired from Saxo Privatbank completed.

MARKET

Retail

The bank's retail customers continued to benefit from favourable economic conditions in 2018, driven by the very low level of interest rates, which also served to strengthen profitability and consolidation among the bank's commercial customers. The bank onboarded more commercial customers, especially driven by the acquisition of the portfolio from Saxo Privatbank.

Moreover, private customers enjoy the benefits of increased financial latitude and greater home equity. As a result, existing customers repay their bank loans more quickly and convert their loan engagements to mortgage loans.

The bank is experiencing an inflow of new customers, but customers borrow less than previously, preferring instead to save up more. The bank onboarded 17,500 household customers from the acquisition of the former Saxo Privatbank activities.

Competition intensified further in 2018, impacting all parameters and products and making customers even more price-conscious. Alm. Brand expects this trend to continue into 2019, but the bank intends to stand firm and not relax its existing credit policy in the fight for customers.

Leasing

In autumn 2017, the leasing market was affected by the introduction through the new Budget of amendments to leasing rules and motor vehicle taxes. A few months of uncertainty and standstill ensued, which also affected activities in 2018.

The proportion of privately leased cars dropped to 12% in Q1 2018, gradually recovering over the course of 2018. In Q4 2018, private customer leasing accounted for 23% of all new cars bought by private individuals.

The market for passenger cars and commercial vehicles for commercial customers generally declined relative to 2017. However, the share of leased passenger cars increased from 72% in 2017 to 76% in 2018. The share of leased commercial vehicles was 80%, which was a slight increase relative to 2017.

In 2018, Alm. Brand Leasing recorded an increase in the number of ordered passenger cars and commercial vehicles of 16% relative to 2017. Alm. Brand Leasing remains the third largest provider of private customer leasing in Denmark.

Financial Markets

Many political events impacted the financial markets in 2018, in the first half of the year general elections in Italy and the Spanish government crisis. Financial market sentiment improved in mid-2018, albeit only for a short time. The discrepancies between the USA and large parts of the world grew, and the prospects of an outright trade war seemed to become more imminent. The German government crisis also weighed on the markets.

In the second half of the year, the US midterm elections in early November, renewed political turmoil over e.g. the Italian government budgets and the ongoing Brexit negotiations were the main triggers of financial market volatility.

2018 was a year of poor equity market performances. S&P500 fell by 7.6%, which from a Danish perspective, however, was partly offset by a USD appreciation of 5.1%. Euro Stoxx was down 15.33%, while the Danish OMX index dropped 13.69%. All of this combined made 2018 the worst year for Danish equities since 2011.

The Danish mortgage bond market is still experiencing keen interest from foreign investors, driving up foreign ownership of Danish mortgage bonds to a record-high level. For many years, the substantial interest has reduced the yield spread between swap rates and mortgage bonds.

Overall, the developments had an adverse impact on the bank's return on securities and trading activities.

FINANCIAL RESULTS FOR FY2018

The bank reported a pre-tax profit of DKK 26 million, against DKK 67 million in 2017. Although in line with original expectations, the overall profit for 2018 was not satisfactory due to the profit composition.

The year was generally characterised by growing business activity in the bank, Both in terms of organic growth and in particular through the acquisition of the majority of Saxo Privatbank A/S's activities on 1 April 2018.

The integration of the Saxo Privatbank activities was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. As expected, no significant synergy benefits crystallised in 2018, whereas cost synergies to the tune of DKK 75 million before amortisation of customer relationships are expected for 2019.

The bank reported strong growth in new lending in 2018. The number of Pluskunder (customers who have pooled all of their business with the bank) was up by 13%, not including former Saxo Privatbank customers.

Including former Saxo Privatbank customers, the number of Pluskunder increased by 34% and has now exceeded 21,000 customers measured in terms of households. Despite strong growth in new lending, a large part of the increase was offset by repayment of loans, generally lower borrowing requirements and conversion of bank loans to Totalkredit mortgage loans, all of which affected net lending.

The favourable economic climate with rising property prices and improved economic conditions for customers resulted in a DKK 86 million reversal of impairment writedowns. On the other hand, the volatile investment markets in 2018, in the fourth quarter in particular, adversely impacted the bank's trading income, and the sustained low level of money market rates and the widening yield spread drove investment portfolio earnings into negative territory.

Income

The bank's income amounted to DKK 604 million in 2018, against DKK 512 million in 2017, marking an increase of DKK 92 million, primarily as a result of higher net interest and fee income.

Net interest and fee income was DKK 340 million in 2018, against DKK 251 million in 2017. The increase was mainly driven by the addition of activities from the former Saxo Privatbank. Throughout the year, the bank was impacted by sustained pressure on the interest margin, which at 31 December 2018 stood at 2.2%, against an interest margin of 2.4% in 2017. In addition, competition among banks for the most attractive customers remained intense.

Trading income from Financial Markets amounted to DKK 138 million in 2018, against DKK 167 million in 2017. The year was characterised by volatile investment markets. Government crises, the emerging trade war between the US and China and the impending Brexit put pressure on earnings. Due to the volatile investment markets, trading activity among the bank's customers was reduced, and the market volatility also had an adverse impact on equity and bond prices and, as a result, on earnings.

Leasing recorded net income of DKK 75 million in 2018, against DKK 70 million in 2017. The bank's commercial customer leasing generated highly satisfactory portfolio growth of 18%, which is more than double the growth rate reported in 2017. Commercial customer leasing now accounts for the greatest share of the portfolio. Since the tax change in autumn 2017, private customer leasing has stabilised at a new level, as the change has driven private customers to increasingly prefer purchasing over leasing. Despite a drop of 23% relative to 31 December 2017, Alm. Brand remains the third-largest provider of private customer leases in Denmark.

Other income amounted to DKK 51 million in 2018 (2017: DKK 24 million), of which DKK 24 million was net non-recurring income in Q2 from the acquisition and valuation of the activities of Saxo Privatbank.

Costs

Costs amounted to DKK 598 million in 2018, against DKK 476 million in 2017. The increase was mainly driven by the acquisition of activities from Saxo Privatbank, but investment in growth and digitalisation also drove up the cost level, including investments made to increase the number of banking advisers. In addition, the bank's IT-related costs continued to increase due to the bank's data centre, Bankdata, as well as to internal costs related to compliance with new statutory requirements. In line with expectations, the cost level will be reduced in 2019 as synergies from integration of the banking activities begin to crystallise.

Investment portfolio earnings

The bank's investment portfolio earnings for 2018 amounted to a DKK 42 million expense, against an income of DKK 20 million in 2017.

A widening of the yield spread throughout 2018 had a DKK 19 million adverse impact on the return on the bank's investment portfolio of bonds, and Danmarks Nationalbank's negative interest rate on certificates of deposit and rate of interest on current accounts produced a DKK 16 million negative return on investment of the bank's substantial excess liquidity in the money market. In addition, the 2017 return comprised a revaluation of two shareholdings representing a total value of DKK 17 million.

Impairment writedowns

The bank made a DKK 86 million reversal of impairment writedowns in 2018, against a reversal of DKK 11 million in 2017. The trend from end-2017 continued in 2018, with favourable economic conditions improving the financial position of private households and commercial customers. The very dry and warm summer with low crop yields and the sustained low settlement prices for pig breeders only to a limited extent affected the bank's agricultural portfolio, as the portfolio had already been reduced significantly. DKK 25 million of the reversed impairment writedowns of DKK 86 million was interest income from loans written down. The reversal of the remaining amount primarily related to a number of lending exposures which, through persistent efforts, were successfully redeemed.

Impairment writedowns

DKKm	2018	Impairm. in % [a]	2017
Loans and advances			
Retail	17	0%	15
Winding-up portfolio			
Agriculture	35	25%	5
Commercial properties	25	10%	12
Mortgage deeds [b]	34	21%	17
Loan impairment charges	**111**	**3%**	**49**
Mortgage deed option agreement [b]	-25		-38
Total impairment writedowns (income)	**86**		**11**

[a] Losses and writedowns as a percentage of the average portfolio in 2018. The percentage is not comparable with the impairment ratio in the overview of financial ratios.
[b] The impairment writedowns include credit-related value adjustments.

Business volume

Throughout 2018, the bank experienced a general increase in the level of activity. The bank reported 34% growth in the number of Pluskunder, a large part of whom transferred with the acquired part of the former Saxo Privatbank.

The effect of the strategic investments in customer advisers as well as digital solutions and process enhancements supported the inflow of new customers. Other efforts include optimisation of customer onboarding processes, credit ratings and a new mortgage credit platform scheduled for 2019. In 2018, Alm. Brand set up several advisory centres around Denmark, and the rebuilding of branches continues in 2019. This is all part of the strategy "Alm. Brand for the Customer", under which branches and sales centres around Denmark are to be converted into advisory centres framing the group's full-range customer advisory services within Banking, Non-life Insurance and Life Insurance.

The strong inflow of new customers increased new lending. However, this increase was offset by the customers' higher repayment of existing loans, conversion to Totalkredit mortgage loans and a strong household saving propensity. The development reflects a general trend in society of customers giving high priority to savings and conversion of bank loans into mortgage loans, which is also strengthened by the bank's customer advisory services.

As a result of the pressure on the interest margin in the market, competition among banks for the best customers is intense, particularly as regards cooperative housing loans. However, ongoing price adjustment of selected products contributed to sustaining the increase in customer inflow. In spite of the tough competition, the bank will not compromise with its credit policy.

Lending amounted to DKK 5.0 billion at 31 December 2018, an increase of DKK 1.3 billion relative to 2017. The increase was driven by the addition of the Saxo Privatbank portfolio.

The portfolio of Totalkredit loans grew by DKK 6.7 billion in 2018 to a total of DKK 15.3 billion, against DKK 8.6 billion in 2017. The increase was mainly driven by the addition of the Saxo Privatbank portfolio. Net of this addition, lending was up by some 15% on 2017. The increase in the conversion of bank loans into mortgage loans among existing and new customers was significant.

Financial Markets experienced increased customer inflow throughout 2018, and the

ETF product IndexPlus reported growth of 40%. Wealth Management and Asset Management recorded a substantial increase in volume, a large part of which came from the former Saxo Privatbank. As a result of the acquisition of the activities from Saxo Privatbank, the bank is now able to offer its high net worth clients a private banking concept.

The Leasing portfolio totalled DKK 964 million at 31 December 2018, distributed on 8,400 cars, which was marginally less than the record-high level of more than DKK 1 billion reported in 2017. As a result of the statutory amendment of the vehicle registration fee in autumn 2017, private customer leasing has settled at a new, lower level. Alm. Brand remains the third-largest provider of private leases in Denmark, while its share of the commercial customer leasing market is increasing.

Winding-up portfolio

Total loans and advances in the winding-up portfolio were reduced by DKK 78 million to DKK 503 million in 2018. Adjusted for losses and writedowns, the reduction totalled DKK 173 million, of which Agriculture was reduced by DKK 76 million, Commercial property by DKK 52 million, and Mortgage deeds by DKK 45 million. The total credit exposure in the winding-up portfolio developed in line with expectations.

At 31 December 2018, gross lending in the agricultural portfolio was DKK 559 million, with net lending at DKK 118 million, marking a significant reduction of the portfolio.

Credit exposure after writedowns

DKKm	31 December 2017	31 March 2018	30 June 2018	30 September 2018	31 December 2018	Share of portfolio in %
Loans and advances	**3,117**	**2,841**	**4,325**	**4,374**	**4,452**	
Winding-up portfolio						
Agriculture	159	135	123	118	118	23%
Commercial properties	257	244	243	240	230	46%
Mortgage deeds	165	164	165	147	155	31%
Total winding-up portfolio	**581**	**543**	**531**	**505**	**503**	**100%**
Mortgage deed option agreement	1,111	1,063	1,021	976	941	
Total credit exposure	**4,809**	**4,447**	**5,877**	**5,855**	**5,896**	

Deposits

The bank had deposits of DKK 10.5 billion at 31 December 2018, against DKK 7.0 billion at 31 December 2017. The improvement was driven by the DKK 3.4 billion addition of activities from the former Saxo Privatbank. At 31 December 2018, floating-rate deposits represented 99% of total deposits, against 97% at 31 December 2017.

Liquidity

At 31 December 2018, the liquidity coverage ratio (LCR) was 484%.

FINANCIAL RESULTS FOR Q4

The bank reported a loss of DKK 14 million in Q4 2018, against a profit of DKK 5 million in Q4 2017. Reversals of impairment writedowns lifted the performance due to a continued strengthening of customers' financial position. On the other hand, the widening of the yield spread impacted adversely on investment portfolio earnings, while volatile investment markets put the earnings level under pressure. The increase in costs was primarily attributable to the acquisition of the Saxo Privatbank activities, but also to increased costs for strategic development and higher IT costs for Bankdata and stricter statutory requirements. The performance fell short of expectations and was not satisfactory.

Income

Net interest and fee income amounted to DKK 92 million in Q4 2018, marking a year-on-year increase of DKK 30 million. The increase was mainly driven by the addition of activities from the former Saxo Privatbank. Fierce competition for the best banking customers also impacted the Q4 2018 performance, putting the interest margin under pressure.

Trading income from Financial Markets amounted to DKK 31 million in Q4 2018, against DKK 47 million in Q4 2017. The customers' lower trading activity than previously impacted the quarter. Moreover, sustained investment market volatility reduced earnings in Financial Markets, which fell significantly short of expectations.

Leasing reported net income of DKK 19 million in Q4 2018, marking a year-on-year increase of DKK 4 million in line with expectations.

Costs

Costs amounted to DKK 162 million in Q4 2018, against DKK 128 million in Q4 2017. The increase was mainly driven by the addition of activities from the former Saxo Privatbank. The bank incurred substantial costs in connection with the continued strategy developments, in particular experiencing a greater pressure on IT-related costs due to the bank's data centre, Bankdata, as well as to costs related to stricter statutory requirements. As expected, the cost level will be reduced when the synergies from the bank combination begin to crystallise in 2019.

Investment portfolio earnings

Investment portfolio earnings amounted to an expense of DKK 18 million in Q4 2018, against an expense of DKK 5 million in Q4 2017. A widening of the yield spread had an adverse impact on the return on the bank's investment portfolio of bonds, and the bank's investment of its substantial excess liquidity in the money market produced a negative return.

Impairment writedowns

The bank made a DKK 21 million reversal of impairment writedowns in Q4 2018, against DKK 9 million in Q4 2017. Like in the first three quarters of the year, the reversals were attributable to favourable economic conditions. DKK 5 million of the reversed impairment writedowns related to interest income from loans written down. The reversal of the remaining amount primarily related to a number of lending exposures which, through persistent efforts, were successfully redeemed.

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 1,946 million at 31 December 2018, against DKK 2,137 million at 31 December 2017. The capital reservation equalled 27% of the credit exposure, which was below the 34% reported at 31 December 2017 as a result of the inflow of activities from Saxo Privatbank.

Impairment writedowns

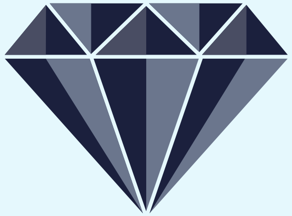
DKKm	Q4 2018	Q4 2017
Loans and advances		
Retail	0	9
Winding-up portfolio		
Agriculture	4	5
Commercial properties	3	-2
Mortgage deeds [a]	18	8
Loan impairment charges	**25**	**11**
Mortgage deed option agreement [a]	-4	-11
Total impairment writedowns (income)	**21**	**9**

[a] The impairment writedowns include credit-related value adjustments of mortgage deeds

Capital reservation for credit risk

DKKm	31 December 2018: Total assets	Credit exposure [a]	Accumulated impairment write-downs [b]	Required capital	Total reservation	Reservation/ credit exposure	31 December 2017: Total reservation	Reservation/ credit exposure
Loans and advances	4,302	4,647	345	414	759	16%	634	20%
Winding-up portfolio	503	2,443	999	175	1,174	48%	1,480	50%
Total, excl. reverse transactions	**4,805**	**7,090**	**1,344**	**589**	**1,933**	**27%**	**2,114**	**34%**
Reverse transactions and intra-group transactions	150	151	1	12	13	9%	23	13%
Total, group	**4,955**	**7,241**	**1,345**	**601**	**1,946**	**27%**	**2,137**	**34%**

[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



	2018	2017
Large exposures **Threshold value** ‹ 175%	43%	35%
Growth in lending **Threshold value** ‹ 20%	23%	1%
Funding ratio **Threshold value** ‹ 1	0.44	0.52
Property exposure **Threshold value**‹ 25%	9%	7%
Excess liquidity coverage **Threshold value**› 100%	496%	

SUPERVISORY DIAMOND

The growth in lending of 23% included loans and advances taken over from Saxo Privatbank and developments in the winding-up portfolio. Excluding loans and advances taken over from Saxo Privatbank, growth in lending was negative at 6%. At 31 December 2018, the bank was in compliance with all five threshold values of the supervisory diamond of the Danish Financial Supervisory Authority.

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

MAJOR EVENTS

Acquisition of the majority of Saxo Privatbank A/S's activities

On 5 February 2018, Alm. Brand entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities.

In connection with the acquisition, branches have been combined at locations in which Alm. Brand was already represented. Accordingly, branch combinations were completed Aarhus, Kolding, Esbjerg and Odense.

The integration of Saxo Privatbank was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. These moves concluded a hectic year of combining operations and activities.

MREL add-on

In December 2018, the Danish Financial Supervisory Authority announced an MREL add-on for Alm. Brand Bank of 4.6% of the risk exposure amount. The MREL add-on became effective as of 1 January 2019 and is expected to be fully phased-in on 1 January 2023, at which time it will correspond to a capital requirement of about DKK 450 million. With a view to financing the bank's future MREL add-on, a 2-year dedicated loan facility of DKK 250 million was arranged between Alm. Brand af 1792 fmba and Alm. Brand A/S in February 2019. With this move, the bank has secured most of the financing for the fully phased-in MREL add-on. In continuation of this, the capital reservation of Alm. Brand A/S for the MREL add-on is lowered from DKK 250 million to DKK 150 million. The remaining reservation covers the uncertainty persisting in respect of the residual financing over DKK 250 million.

Capital injection

On 28 March 2018, Alm. Brand A/S injected DKK 450 million into Alm. Brand Bank A/S as equity. The capital contribution ensured that the bank was sufficiently capitalised for the acquisition of the majority of Saxo Privatbank's activities.

Launch of Alm. Brand Trader

In Q4 2018, the bank launched Alm. Brand Trader, which is a customer investment tool.

Alm. Brand Trader is an intuitive, simple and easy to use securities trading platform that provides access to most of the world's markets and as many products as possible. Alm. Brand Trader is highly competitive, offering some of the market's lowest brokerage rates and fees. This is a unique introduction for a Danish bank, and the launch is in line with the strategy of providing solutions for multiple-service customers, allowing them to combine their banking and investment business in a single feature.

Bankdata's capital market platform

As a result of development costs for Bankdata's capital market platform, the bank incurred an expense of just over DKK 25 million, which has been capitalised. The expense is expected to be accrued over five years from the date of commissioning in the third quarter of 2019. ■

Banking

	DKKm	2018	Q4 2018	2017	2016	2015	2014
INCOME STATEMENT	Net interest and fee income	340	92	251	254	212	171
	Trading income	138	31	167	166	157	143
	Leasing	75	19	70	63	49	45
	Other income	51	11	24	35	41	8
	Total income	**604**	**153**	**512**	**518**	**459**	**367**
	Costs	-598	-162	-476	-431	-429	-432
	Core earnings	**6**	**-9**	**36**	**87**	**30**	**-65**
	Investment portfolio earnings	-42	-18	20	7	-34	67
	Profit/loss before depreciation, amortisation and impairment losses	**-36**	**-27**	**56**	**94**	**-4**	**2**
	Amortisation, customer relationships	-24	-8	–	–	–	–
	Impairment writedowns	86	21	11	-50	-327	-277
	Profit/loss before tax (before minority interests)	**26**	**-14**	**67**	**44**	**-331**	**-275**
	Tax	-5	5	-13	-8	82	116
	Profit/loss after tax (before minority interests)	**21**	**-9**	**54**	**36**	**-249**	**-159**
	Minority interests	–	–	–	–	–	11
	Profit/loss after tax	**21**	**-9**	**54**	**36**	**-249**	**-148**

	DKKm	2018	Q4 2018	2017	2016	2015	2014
BALANCE SHEET	Loans and advances	4,452	4,452	3,117	2,835	2,981	2,585
	Winding-up portfolio	503	503	581	942	1,317	2,069
	Deposits	10,480	10,480	6,987	7,189	8,099	11,076
	Shareholders' equity	1,984	1,984	1,575	1,521	1,495	1,744
	Balance sheet	13,225	13,225	9,027	9,699	10,416	14,411
FINANCIAL RATIOS	Interest margin (%)	2.2	2.1	2.4	2.5	1.9	1.7
	Income/cost ratio	0.98	0.94	1.10	1.07	0.59	0.56
	Impairment ratio for the year	-0.9	-0.1	-0.5	0.4	3.9	2.1
	Total capital ratio	20.3	20.3	22.5	18.1	17.2	17.8
	Return on equity before tax (%)*)	1.4	1.2	-2.9	2.9	-20.4	-15.7
	Return on equity after tax (%)	1.1	1.2	-1.9	2.4	-15.4	-8.8

* The calculation of return on equity before tax for YTD 2018 takes into account deferred tax of DKK 49 million from an intangible asset (customer relationships) derived from the acquisition of activities from Saxo Privatbank.

CSR

Proper conduct is Alm. Brand's pledge to its customers and society at large. The group has provided a good and proper setting for its customers since 1792.

Alm. Brand seeks to conduct its business in a responsible and sustainable manner. Alm. Brand's vision is: "We take care of our customers". "Taking care of" applies not only to customer relationships, but also to employee relationships, environmental and climate matters and to matters concerning society in general.

Alm. Brand has a CSR policy focused on environment and climate, social and employee-related matters, anti-corruption and bribery, human rights and socially responsible investment. These focus areas have been chosen because they support Alm. Brand's business.

The full account of corporate social responsibility for 2018 is provided in Alm. Brand's CSR report, which is available at almbrand.dk/CSR.
The group's CSR policy is also available at almbrand.dk/CSR.

Alm. Brand is a signatory to the UN Global Compact, and the CSR report therefore also represents Alm. Brand's Communication on Progress (COP). ■

Diversity in management

In 2013, Alm. Brand adopted a gender equality policy in accordance with applicable law. The policy is focused on increasing the share of the under-represented gender and entails an annual follow-up on the development in the share of men and women in management positions.

Moreover, the group complies with the recommendations of the Committee on Corporate Governance to once a year discuss activities to ensure relevant diversity at all management levels in the group.

The Alm. Brand's Board of Directors consists of 12 members including employee-elected members. At 31 December 2018, four of the 12 board members were women. Including employee-elected members, the 25% target for equal gender representation was thus met. The full report on diversity in management for 2018 is available on the group's website almbrand.dk/mangfoldighed-2018.

Additional information on policies on the gender composition of management, including Alm. Brand's diversity policy and group policy to increase the share of the under-represented gender, is available on the group's website almbrand.dk/corporategovernance. ■

Capitalisation

The Alm. Brand Group has updated its capital target.

Alm. Brand's long-term business goals imply that the group assumes a variety of calculated risks on behalf of its customers, which requires that Alm. Brand has adequate and satisfactory capital resources. The group's risks are described in detail in notes 46 and 47.

The boards of directors of Alm. Brand's subsidiaries are responsible for identifying and quantifying the most significant risks. The statutory capital requirement ensures that the companies are adequately capitalised to absorb adverse events over the next 12 months without compromising outstanding customer accounts.

In addition, the group's subsidiaries have defined capital targets which provide an additional buffer relative to the requirements for their capital. If deemed expedient, additional capital will be reserved to cover additional uncertainties in the group (e.g. legislation etc.).

TOTAL CAPITAL

Total capital for solvency coverage purposes

The group's total capital for solvency coverage purposes before proposed distributions was DKK 5,792 million, consisting of equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin.

The total capital for solvency coverage purposes includes tier 2 capital of DKK 575 million and a profit margin of DKK 722 million less a risk margin of DKK 72 million. Also included is the effect of the transition scheme for the IFRS 9 provisions, according to which the negative effect of the new provisions will not have full effect on total capital until after five years.

Distributable total capital

As the Solvency II capital elements profit margin and risk margin increase the sensitivity of the total capital, Alm. Brand has decided to include only the stable part of the profit margin in its distributable total capital. In Alm. Brand Forsikring, the profit margin stability is analysed and stress-tested by exposing it to a number of negative scenarios. Based on this analysis, DKK 130 million of the total profit margin is assessed to be sufficiently stable to be included in the dividend distribution potential. In Alm. Brand Pension, the stability of the profit margin is also assessed on the basis of an analysis. The analysis is based on how large a part of the profit margin may be contained in the bonus potentials in a stress scenario. Based on this analysis, 80% of the profit margin is assessed to be sufficiently stable to be included in the dividend distribution potential. The stable profit margin of Life Insurance amounted to DKK 324 million at 31 December 2018.

The group's distributable total capital before proposed distributions was hence DKK 5,465 million at 31 December 2018.

STATUTORY CAPITAL REQUIREMENT

The overall capital requirement of the Alm. Brand Group is calculated as the sum of the capital requirements of the individual group companies. The statutory capital requirement for the group has been calculated at DKK 2,225 million, representing an excess coverage relative to the statutory capital requirement of DKK 3,567 million at 31 December 2018. Less proposed dividends and the expected share buyback programme, the excess coverage was DKK 2,897 million at 31 December 2018.

Alm. Brand aims to consistently maintain a solid and adequate total capital in order to always be able to take care of the group's customers.

Non-life Insurance and Life Insurance activities

Alm. Brand Forsikring A/S calculates its solvency capital requirement on the basis of a partial internal model in combination with the standard formula of the Solvency II regime. Since end-2012, the partial internal model has been used to calculate the solvency capital requirement attributable to "premium and reserve risk" and "natural catastrophe risk". The partial internal model is designed to reflect the business structure and the reinsurance cover and is based on the company's own data. The model covers all lines except Workers' Compensation and Personal Accident, and it is designed to most accurately reflect the risk exposure.

Capitalisation

DKKm	Parent company	Group
Total capital	1,887	1,877
Risk exposure amount	8,835	9,367
Total capital ratio	21.6	20.3
Tier 1 capital ratio	19.6	18.4
Individual solvency need (%)	11.5	11.3
Excess cover (%)	10.1	9.0

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 985 million at 31 December 2018.

Alm. Brand Liv og Pension A/S applies the standard formula provided in the Solvency II legislation for the calculation of the company's capital requirement. The solvency capital requirement of Alm. Brand Liv og Pension A/S was DKK 158 million at 31 December 2018. The level of the solvency capital requirement is relatively high due to the high bonus potentials in Alm. Brand Liv og Pension A/S, which had a bonus rate of 18.6 at 31 December 2018.

Solvency II legislation provides the option of including the loss-absorbing effect of a deferred tax asset in the calculation of the capital requirement. Alm. Brand has decided to make use of this option in the calculation of the capital requirements of the two insurance companies.

Banking activities

Alm. Brand Bank A/S applies the Danish Financial Supervisory Authority's 8+ approach for calculating the adequate total capital. The calculation according to the 8+ approach is based on 8% of the total risk exposure amount plus a Pillar 2 add-on for risks not assessed to be covered by the Pillar 1 requirement.

In the credit area, the Pillar 2 add-on covers exposures representing more than 2% of the total capital and credit risk concentration on industries and individual exposures, respectively. In addition to the specified add-ons in the credit area, the bank reserves a Pillar 2 add-on for mortgage deeds.

The calculation of adequate total capital in respect of operational risk is also consistent with the Danish Financial Supervisory Authority's 8+ approach. For a more detailed review of all add-ons applied in the determination of the adequate total capital, see the bank's risk disclosure for 2018, which is available at almbrand.dk/risiko.

The banking group had a total capital ratio of 20.3 at 31 December 2018. The individual solvency need ratio was 11.3%, while the combined capital buffer requirement was 1.875%. Accordingly, the excess relative to the adequate total capital including the capital buffer requirement was 7.1 percentage points at 31 December 2018.

The combined capital buffer requirement consists of a capital conservation buffer and a countercyclical capital buffer, respectively. The capital conservation buffer was 1.875% at 31 December 2018, while the countercyclical capital buffer was 0% at 31 December 2018. At 1 January 2019, the capital conservation buffer was 2.5%. The countercyclical capital buffer will increase to 0.5% at 31 March 2019 and by an additional 0.5 of a percentage point to a total of 1.0% at 30 September 2019.

The bank must have a sufficient level of eligible liabilities ("MREL"). In addition to the solvency need and capital buffers, the MREL requirement consists of a loss absorption amount and a recapitalisation amount. The sum of the latter two make up the MREL add-on. It is determined individually for all small banks by the Danish Financial Supervisory Authority based on publicly available principles. On the basis of numbers at mid-2018, Alm. Brand Bank has been assigned an MREL add-on of 4.6% of the risk exposure amount when fully phased in, expectedly in 2023. This is just below the average for small banks.

The MREL add-on will be phased in gradually from 2019 and, for that purpose, Alm. Brand has raised a 2-year dedicated loan facility of DKK 250 million with Alm. Brand af 1792 fmba and concurrently made a loan facility in a similar amount available to Alm. Brand Bank. The bank has thereby secured the financing of most of the expected fully phased-in MREL add-on by means of non-preferred senior debt (tier 3 capital).

CAPITAL TARGET

Alm. Brand aims to consistently maintain a solid and adequate total capital in order to always be able to take care of the group's customers. The capital target has been determined so as to ensure that the group can absorb a 1:200 year loss event and still be able to carry on business.

The capital target produces a capital requirement which is substantially higher than the required statutory minimum capital and the companies' capital requirements. The capital target reflects that the group's capital resources should be sufficiently robust to be able to absorb a number of external events, while ensuring that the group is still be able to carry on business. Such events could be situations involving extreme weather conditions or changes in the economic climate. Furthermore, the group should be sufficiently robust to be able to absorb major structural declines in equity prices and changed interest rate levels.

Capital target

DKKm	Capital target at 31 December 2018	DKKm	Distributable total capital component at 31 December 2018
Non-life Insurance (40% of gross premiums)	2,110	Shareholders' equity	4,748
Life Insurance (7.5% of life insurance provisions)	956	Intangible assets	-211
Banking (19% of total risk exposure amount)	1,780	Tax assets*)	0
Reservation for MREL add-on	150	Share buyback programme, outstanding	-28
Alm. Brand A/S add-on	19	Profit and risk margins	381
Diversification effect	-300	Tier 2 capital	575
Capital target, total	**4,715**	**Distributable total capital of the group**	**5,465**

Excess relative to internal capital target	**750**
Proposed dividend	**470**
Proposed share buyback programme	**200**
Excess after proposed distribution	**80**

*Deferred tax assets excluding tax assets in Alm. Brand Forsikring A/S

The capital target for the group is a consolidation of the group companies' capital targets including add-ons and diversification in the group. As the Alm. Brand Group is exposed to a variety of different risks in the insurance group and the banking group, respectively, a diversification between these risks is factored in at group level. The diversification reflects that, with a certain probability, major credit losses in the bank will not crystallise at the same time as major expenses in the insurance company to cover e.g. weather-related claims. The diversification effect is assessed at DKK 300 million.

The capital target was updated in the fourth quarter of 2018, and this gave rise to adjusting the capital targets of Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S. The updated capital targets have been structured so as to still ensure that Alm. Brand will be able to absorb a 1:200 year loss event and remain solvent.

The capital target for the insurance group is calculated as 40% of gross premiums in Alm. Brand Forsikring plus 7.5% of life insurance provisions. In Alm. Brand Liv og Pension, the capital target has been adjusted from 7% of total life insurance to 7.5% of total life insurance provisions exclusive of collective bonus potentials.

The above-mentioned adjustment of the capital target including the adjustment of the stable profit margin is distribution neutral for the year.

Alm. Brand Bank's capital target has been re-evaluated to reflect the current MREL requirement and developments in the combined capital buffer requirement, including the fact that the countercyclical buffer will be raised to 1% of the total risk exposure amount from Q3 2019. Alm. Brand Bank's target is to have eligible capital to cover the MREL requirement of at least 19% of the total risk exposure amount plus the phased-in MREL add-on. The eligible capital consists of the total capital and non-preferred senior debt, which may only be used to finance the MREL add-on. In 2019, the capital target will therefore be 19.5% of the total risk exposure amount.

The Alm. Brand Group has a capital reservation of DKK 150 million in respect of the MREL add-on. The reservation has been reduced by DKK 100 million relative to the third quarter of 2018, as the arrangement with Alm. Brand af 1792 fmba of the dedicated loan facility has reduced uncertainty with respect to the future financing. The total capital tie-up with the bank was hence largely unchanged.

The internal capital target calculated at 31 December 2018 was DKK 4,715 million, corresponding to excess coverage for the group of DKK 750 million before distributions. After proposed dividends and the expected share buyback programme, the excess coverage relative to the internal capital target was DKK 80 million. ■

Statement on *corporate governance*

Alm. Brand strives to obtain maximum transparency and openness and thus agrees with the basic principles of the corporate governance recommendations. This is reflected in the company's management approach, which is generally consistent with the recommendations.

COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS

Approximately 60% of the share capital of Alm. Brand A/S is held by Alm. Brand af 1792 fmba, which is an association with some 400,000 members, all of whom are customers of Alm. Brand Forsikring A/S. As a result of this structure, five of the eight board members elected by the shareholders are nominated by Alm. Brand af 1792 fmba. The other board members elected by the shareholders are independent.

The five board members nominated by the board of Alm. Brand af 1792 have been elected from among the members of Alm. Brand af 1792 fmba's Committee of Representatives in pursuance of the association's by-laws.

Information about the recommended candidates' background, qualifications and selection criteria are provided at the annual general meeting. Information about e.g. the board members' other executive positions and directorships as well as their special qualifications is provided in the financial statements. As regards new candidates, information on other executive positions and directorships, etc. is also provided in the complete proposals sent to shareholders ahead of the annual general meeting.

As less than half of the board members elected by the shareholders are independent, Alm. Brand A/S deviates from the recommendations issued by the Committee on Corporate Governance. Management believes that the principal shareholder and the other shareholders have identical interests in the company.

BOARD COMMITTEES

The Board of Directors has set up two board committees – the audit committee and the remuneration committee. The Chairman and the Deputy Chairman of the Board of Directors, who are not deemed to be independent, are members of these committees. The majority of the committee members are thus not independent. This is not in compliance with the recommendations issued by the Committee on Corporate Governance, but the Board of Directors has made this choice in order to ensure a strong focus on the work of the committees.

A detailed description of the tasks of the committees, the members of the committees, meeting frequency, etc. is available at almbrand.dk/revisionsudvalg and almbrand.dk/afloenningsudvalg.

58.4%

of the share capital is held by Alm. Brand af 1792 fmba.

Alm. Brand af 1792 fmba is an association whose members are Alm. Brand Forsikring's customers. Five of the eight shareholder-elected members of the Board of Directors are nominated by the principal shareholder.

The Board of Directors has not found it necessary to set up a nomination committee, as the majority of the members of the Board of Directors are elected by the principal shareholder.

Board committees

Audit committee	Remuneration committee
Anette Eberhard (Chairman)	Jørgen Hesselbjerg Mikkelsen (Chairman)
Jørgen Hesselbjerg Mikkelsen	Jan Skytte Pedersen
Jan Skytte Pedersen	Anette Eberhard
	Susanne Larsen (employee representative)

When selecting and nominating the independent candidates, Alm. Brand complies with the recommendation to take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender, and the Board of Directors also obtains external assistance when selecting the independent candidates.

GOVERNING BODIES

In compliance with Danish legislation, Alm. Brand A/S and the group's subsidiaries have a two-tier management system with a board of directors and a management board. A detailed presentation of the members of the Board of Directors and the Management Board of Alm. Brand A/S is provided in the section listing directorships and special qualifications below. The responsibilities and duties of the Board of Directors and the Management Board are defined in the rules of procedure of the Board of Directors.

The Board of Directors consists of eight members elected by the shareholders in general meeting and four members elected by the employees. Of the 12 board members, eight are men and four are women. The age, seniority, other directorships, special qualifications and meeting attendance of the board members are set forth in the list of directorships on pages 56-62. Ebbe Castella, Karen Sofie Hansen-Hoeck and Anette Eberhard are deemed to be independent, as they do not serve on the board of the company's principal shareholder.

When nominating new members for the Board of Directors, the Board of Directors emphasises that as a whole the following qualifications are represented: general management experience, experience from the Alm. Brand Group's customer segments, experience in auditing and accounting matters, particularly in relation to membership of the audit committee, and insight into legal matters, insight into financial matters, experience in risk management and solvency matters, investments and general insight into IT matters.

BOARD EVALUATION

The Board of Directors assesses its overall qualifications and work procedures once a year. At least once every three years, the Board of Directors obtains external assistance for the evaluation.

As part of the evaluation, the number, level and complexity of other directorships held by the members of the Board of Directors are discussed with a view to ensuring that other directorships are kept at a reasonable level. The evaluation is presided over by the Chairman of the Board of Directors. The evaluation procedure is based on the company's business model and strategy and entails an evaluation of the individual qualifications of each member of the Board of Directors as well as of the combined qualifications of all members of the Board of Directors in accordance with the recommendations of the Danish Financial Supervisory Authority on board evaluation. The evaluation also comprises e.g. the cooperation with the company's Management Board, the Chairman's ability to lead the Board of Directors, committee work and the overall planning of board work.

The 2018 board evaluation included an evaluation of the qualifications of new board members in combination with the qualifications of the other members of the Board of Directors as well as an update of the overview of the individual qualifications of all members of the Board of Directors. The evaluation did not give rise to any significant remarks. The results of the evaluation will form part of the work of the Board of Directors going forward.

The Board of Directors held ten meetings in 2018. For information on the meeting attendance of each individual board member, see page 50.

For additional information on the group's management and organisational structures, see almbrand.dk/ledelsesstruktur.

REMUNERATION POLICY

Alm. Brand's remuneration policy is available on the group's website. Among other things, the remuneration policy contains information about the group's share-based remuneration. Further information about the remuneration of the Board of Directors and the Management Board is provided in note 9 to the financial statements as well as in the company's remuneration report for 2018. For additional information, go to: almbrand.dk/corporategovernance.

Both in 2017 and 2018, the company complied with the remuneration policy applicable at the time in question.

Board of Directors

Board members receive a fixed annual remuneration reflecting the scope of the board work and the responsibility related to serving on the board.

In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.

Pursuant to the corporate governance recommendations, the remuneration paid to the board members for the current financial year must be approved by the shareholders in general meeting. The Board of Directors believes that it is sufficient that the shareholders approve the remuneration paid to the Board of Directors in respect of the past financial year when approving the financial statements and that the Chairman of the Board of Directors explains the expected remuneration payable to the Board of Directors for the current financial year.

Management Board
The aim is for the remuneration paid to members of the Management Board to be competitive with similar positions in the financial sector. In addition to salary, the remuneration includes pension contributions, company car, paid telephone subscription and other customary salary substitutes. Other directorships held by members of the Management Board in companies of the Alm. Brand Group do not trigger any remuneration. Reference is generally made to the remuneration report for 2018: almbrand.dk/renumeration-2018.

Board remuneration

DKK	Alm. Brand A/S Meeting attendance**)	Alm. Brand A/S Remuneration	Audit committee	Special remuneration for Alm. Brand Forsikring A/S	Alm. Brand Liv og Pension A/S	Alm. Brand Bank A/S	Total*)
Jørgen Hesselbjerg Mikkelsen (Chairman)***	10/10	775,000	40,000	40,000	40,000	175,000	1,070,000
Jan Skytte Pedersen (Deputy Chairman)***	10/10	500,000	40,000	40,000	40,000	175,000	795,000
Anette Eberhard	9/10	275,000	80,000	40,000	40,000	175,000	610,000
Ebbe Castella	10/10	275,000				175,000	450,000
Boris Nørgaard Kjeldsen***	10/10	275,000				175,000	450,000
Flemming Fuglede Jørgensen***	7/7	275,000		40,000	40,000		355,000
Per Viggo Hasling Frandsen***	10/10	275,000		40,000	40,000		355,000
Karen Sofie Hansen-Hoeck	9/10	275,000					275,000
Claus Nexø Jensen***	7/7	275,000					275,000
Brian Egested***	10/10	275,000					275,000
Helle Låsby Frederiksen***	10/10	275,000					275,000
Susanne Larsen	9/10	275,000					275,000

*In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.
**Specification of the individual board member's board meeting attendance in 2018. Flemming Fuglede Jørgensen and Claus Nexø Jensen were not elected until in April 2018. In addition, a number of subsidiary board meetings and audit committee meetings have been held.
***Member of the board of Alm. Brand af 1792 fmba. Alm. Brand af 1792 fmba pays 10% of the remuneration.

As part of the fixed salary, a share option scheme was set up for the Management Board in 2012. The scheme ended on 31 March 2016. A share-based remuneration programme was established with effect from 1 July 2016. The award of shares by way of share-based remuneration takes place in the months of June and December, respectively. On 6 June 2017, 5,638 shares were granted at a price of DKK 385,075 for the first half of 2018 and, on 5 December 2018, 6,947 shares were granted at a price of DKK 403,000 for the second half of 2018.

In 2018, the Management Board received remuneration in a total amount of DKK 9.7 million including the value of share-based remuneration.

The remuneration of the Management Board is adjusted every two years, the next time in 2020.

FINANCIAL REPORTING PROCESS

The primary responsibility for Alm. Brand A/S's risk management and control organisation in relation to the financial reporting process rests with the Board of Directors and the Management Board, including compliance with applicable legislation and other financial reporting regulations.

Control environment

The Board of Directors has defined a working plan ensuring that the Board of Directors reviews, at least once a year, the group's:

- Organisation
- Plans and budgets
- Risk of fraud
- In-house rules and guidelines

The Board of Directors and the Management Board are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The audit committee supports the Board of Directors in this work. On an ongoing basis, the Management Board monitors compliance with relevant legislation and other financial reporting regulations and provisions, and reports its findings to the Board of Directors.

The group's internal audit department reports directly to the Board of Directors in compliance with the audit plan presented by the internal audit department and adopted by the Board of Directors. The internal audit department performs sample audits of business procedures and internal controls in critical audit areas, including the financial statements and the financial reporting.

Risk assessment

The working plan of the Board of Directors ensures that the Board of Directors and the Management Board at least once a year perform an overall assessment of risks in relation to the financial reporting process. In this connection, the Board of Directors specifically assesses the group's organisation with respect to:

- Risk measurement and risk management
- Financial reporting and budget organisation
- Internal control
- Rules on powers of procuration
- Segregation of functions or compensatory measures
- IT organisation and IT security

As part of the risk assessment, the Board of Directors considers the risk of fraud on an annual basis. This work includes:

- A discussion of management's potential incentive/motive for committing fraudulent financial reporting or other types of fraud
- A discussion of management reporting with a view to preventing/identifying and responding to fraudulent financial reporting

The audit committee supports the Board of Directors in these assessments.

Risk management and the financial reporting process

Day-to-day risk management is handled at segment level on the basis of risk limits defined by the Management Board and approved by the Board of Directors.

Risk management is coordinated by a cross-organisational risk committee consisting of the Management Board and the companies' risk managers as well as the persons in charge of the actuarial departments, the sales organisation, the IT department, the finance department and the persons holding business responsibility in Non-life Insurance, Life Insurance and Banking.

The finance department is responsible for preparing full-year and interim financial statements. The key financial reporting contributors are the non-life and life insurance actuarial departments, which are responsible for calculating technical provisions, and the risk management department, which is responsible for calculating the group's financial assets and liabilities. In addition, the credit secretariat is an important contributor with respect to the accounting treatment of the bank's loans and advances.

The report is prepared by the Investor Relations department on the basis of information from a number of departments, including the finance department and the individual business areas.

For a more detailed review of the risks facing the group, see note 46, Capital and risk management, and note 47, Significant accounting estimates, assumptions and uncertainties.

WHISTLEBLOWER SCHEME

Through the group's whistleblower scheme, employees may anonymously report violations or suspected violations of financial legislation committed by employees or board members of Alm. Brand's companies. The whistleblower scheme is anchored in the Compliance department.

DEVIATION FROM CORPORATE GOVERNANCE RECOMMENDATIONS

Alm. Brand is subject to the recommendations prepared by the Committee on Corporate Governance, which are available at corporategovernance.dk. On an annual basis, the Board of Directors of Alm. Brand A/S considers all recommendations applying the "comply or explain" principle. A complete account of Alm. Brand's corporate governance is provided at almbrand.dk/cgrapport-2018-en.

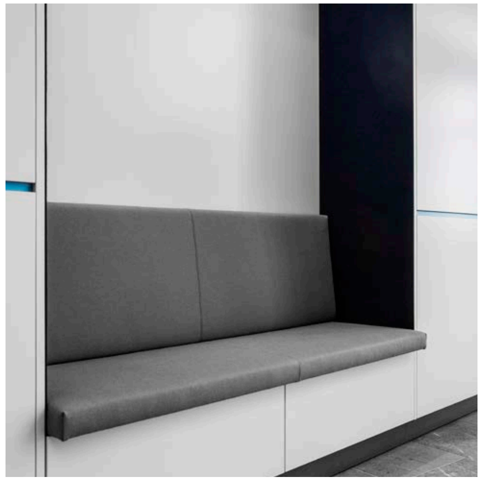
The group deviates from the corporate governance recommendations in the following respects:

- At least half of the board members elected by the shareholders are not independent. See "Composition and organisation of the Board of Directors"
- The majority of the members of the board committees cannot be deemed to be independent. See "Board committees"
- The Board of Directors has not set up a nomination committee. See "Board committees"
- The selection and nomination of candidates for the Board of Directors is only partially carried out on the basis of the recommended criteria
- The qualifications of candidates for the Board of Directors are not described to the recommended extent ahead of the general meeting
- The remuneration of the Board of Directors is approved for the past year and not for the current financial year. See "Remuneration policy–Board of Directors"

Moreover, Alm. Brand A/S has chosen not to set up contingency procedures for takeover bids, as it believes that takeover bids are not realistic given the current ownership structure.

The Board of Directors believes that, overall, Alm. Brand A/S complies with the corporate governance criteria and that these few exceptions do not constitute a disadvantage or are contrary to the interests of the shareholders or other stakeholders.

The Board of Directors has reviewed the new "Stewardship Code" (in Danish: "Anbefalinger for aktivt Ejerskab") and believes that the company and the financial undertakings of the Alm. Brand Group both together and individually hold so few and insignificant ownership interests in Danish listed companies that the drafting of a formal stewardship policy, ongoing dialogue with issuers and reporting would not accommodate the objectives which the code is intended to support. The Alm. Brand Group uses screening agencies and proxy advisers to manage its global shareholdings. ■



Shareholder information

Alm. Brand distributed close to DKK 680 million to its shareholders in 2018.

For the 2018 financial year, the Board of Directors proposes a total distribution of up to DKK 670 million to be made in 2019.

SHARE PRICE PERFORMANCE

For equity markets, 2018 was a year of widespread volatility, the end of the year in particular being impacted by plunging prices due to fears of a growth slump in 2019. Denmark was no exception: the OMX C25 yielded a negative return of 11%, the large cap segment a negative return of 8% and the mid cap segment a negative return of 10%.

The price of Alm. Brand shares started the year at DKK 81.00 and ended the year at DKK 49.30. Including the group's dividend of DKK 3 per share, the total return for the year was a negative 36%.

SHARE CAPITAL AND OWNERSHIP

Alm. Brand A/S is a subsidiary of the limited liability association Alm. Brand af 1792 fmba, whose ownership interest of 58.4% at 31 December 2018 makes it the only shareholder with a shareholding of more than 5%.

Alm. Brand has a total of some 17,000 registered shareholders, and the free float is approximately 40%.

Danish investors make up the largest group of shareholders. Danish investors represented about 75% of the free float shares in 2017, which was unchanged from 2017. US-based investors accounted for some 8%.

Since 2015, the Alm. Brand Group has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 60%.

On 28 March 2018, Alm. Brand completed a DKK 300 million share buyback programme.

On 30 April 2018, the group launched a new share buyback programme of up to DKK 200 million in aggregate, which runs until end-March 2019. At 31 December 2018, shares for a total amount of DKK 172 million had been bought back under the share buyback programme.

A small portion is used for the existing share-based remuneration scheme.

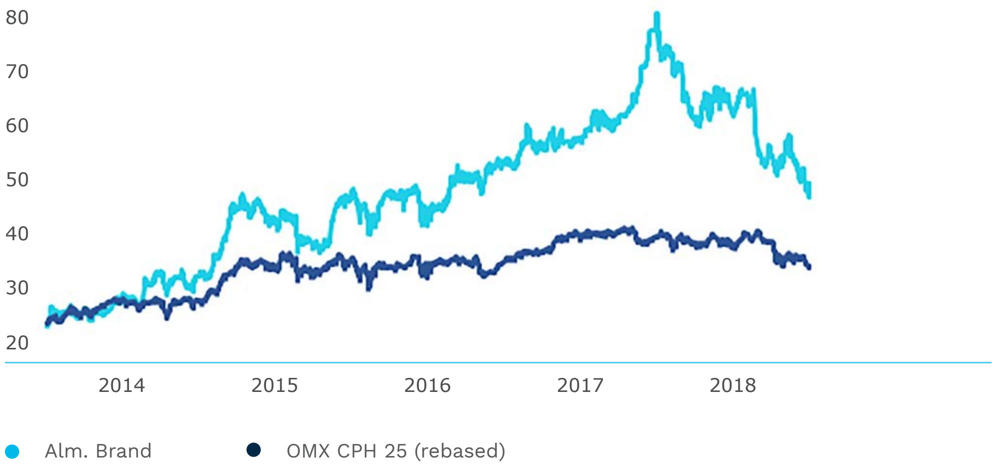
A new share buyback programme of up to DKK 200 million is scheduled in respect of the 2018 financial year. This programme is expected to run until end-March 2020. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

At 31 December 2018, Alm. Brand's portfolio of treasury shares amounted to 2.7% of the share capital.

Share information

Listed on	Nasdaq Copenhagen
ISIN code	DK001525034-4
Ticker	ALMB
No. of shares	161,000,000
Denomination	DKK 10 per share
Share capital	DKK 1,610,000,000
Votes	One vote per share
Index	Nasdaq Copenhagen LargeCap

Share price performance 2014-2018



Shareholdings

	No. of shares held 31 Dec. 2017		No. of shares held 31 Dec. 2018	
	Personally	Related parties	Personally	Related parties
Board of Directors				
Jørgen H. Mikkelsen, Chairman	141,469	145,139	141,469	145,139
Jan Skytte Pedersen, Deputy Chairman	12,000	-	12,000	-
Boris Nørgaard Kjeldsen	8,651	-	8,651	-
Flemming Fuglede Jørgensen	-	-	-	-
Karen Sofie Hansen-Hoeck	-	-	-	-
Anette Eberhard	3,249	-	3,249	-
Per Viggo Hasling Frandsen	31,000	-	31,000	-
Ebbe Castella	2,000	-	2,000	-
Helle Låsby Frederiksen	2,400	-	2,400	-
Claus Nexø Jensen	8,702	1,345	10,289	1,345
Susanne Larsen	7,141	2,294	4,168	2,294
Brian Egested	110	-	410	-
Management Board				
Søren Boe Mortensen	54,484	1,173	118,409	1,173

In aggregate, the Management Board has unexercised share options entitling the holders to acquire up to 267,112 shares.

Dividend policy

Alm. Brand's total capital relative to its capital target determines the distribution potential. In an ordinary year, the group's results will lead to an accumulation of capital exceeding its capital target. The overall distribution by the group is aligned with planned activities, including investments, special risks or a shortfall in earnings.

Alm. Brand seeks to distribute stable ordinary dividends and adjusts its total capital by way of share buybacks and/or extraordinary dividends as and when deemed necessary.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 1.50 per share. This corresponds to a total cash dividend payout of DKK 470 million. In addition, a new share buyback programme for up to DKK 200 million is proposed, which is expected to run until end-March 2020. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

Investor relations

Management gives priority to meeting regularly with investors and analysts. In connection with the release of financial statements, management and the investor relations team go on roadshows, in 2018 both in Denmark and abroad. In addition, professional and private investors and analysts are addressed by holding a number of one-on-one meetings and presentations for large and small audiences.

Geographical breakdown

- 75% Denmark
- 8% USA
- 4% UK
- 7% Europe, other
- 6% Other

Excluding Alm. Brand af 1792 fmba

Investor presentations used in connection with roadshows, conferences, seminars, etc. are available from the group's website. Moreover, presentations of full-year and interim financial statements are webcast. Danish-speaking investors also have the opportunity to subscribe to the Alm. Brand Investor electronic newsletter, which is distributed regularly.

Alm. Brand also posts company announcements and other investor-related news on its website, along with information about the analysts covering Alm. Brand. This information is available at almbrand.dk/ir. ■

Financial ratios

	2014	2015	2016	2017	2018
Earnings per share	2.0	3.1	5.0	5.0	3.6
Price/NAV	1.17	1.60	1.73	2.67	1.65
Net asset value per share	28	30	31	30	30
Price at 31 December	32.7	48.4	54.0	81.0	49.3
Avg. daily turnover (DKKm)	6.8	6.6	6.9	10.5	13.3
Market capitalisation (DKKbn)	5.7	8.3	9.0	13.2	7.8
Ordinary dividend per share	0.50	1.50	1.50	1.50	1.50
Extraordinary dividend per share		1.50	3.50	1.50	1.50
Share buyback (DKKm)		27	309	285	252

Financial calendar 2019

27 February 2019	Release of Annual Report 2018
29 April 2019	Annual general meeting
30 April 2019	Shares traded ex dividend
2 May 2019	Payment of dividend
7 May 2019	Release of Q1 2019 interim report
20 August 2019	Release of H1 2019 interim report
5 November 2019	Release of Q3 2019 interim report

Alm. Brand observes a three-week silent period before the release of interim reports. The annual general meeting of Alm. Brand A/S will be held at 11.00 a.m. on 29 April 2018 at Clarion Hotel Copenhagen Airport, Ellehammersvej 20, 2770 Kastrup, Denmark.

Board of Directors

Jørgen Hesselbjerg Mikkelsen (Chairman)

Farm owner, born in 1954 and appointed in 1994.

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
Experience in risk management and solvency compliance Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Chairman** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand af 1792 fmba Alm. Brand Fond
	Member Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Danish Agro A.m.b.a Danish Agro Finance A/S
	Member DanPiglet A/S Hesselbjerg Agro A/S Vilomix International Holding A/S Dava International Holding A/S Dan Agro Holding A/S Landbrug & Fødevarer f.m.b.a. Danish Agro Machinery Holding A/S Dava Foods Holding A/S Sjællandske medier including subsidiaries
MANAGER	J.H.M. Holding 2010 ApS

Jan Skytte Pedersen (Deputy Chairman)

Manager, born in 1956 and appointed in 2010.

SPECIAL QUALIFICATIONS

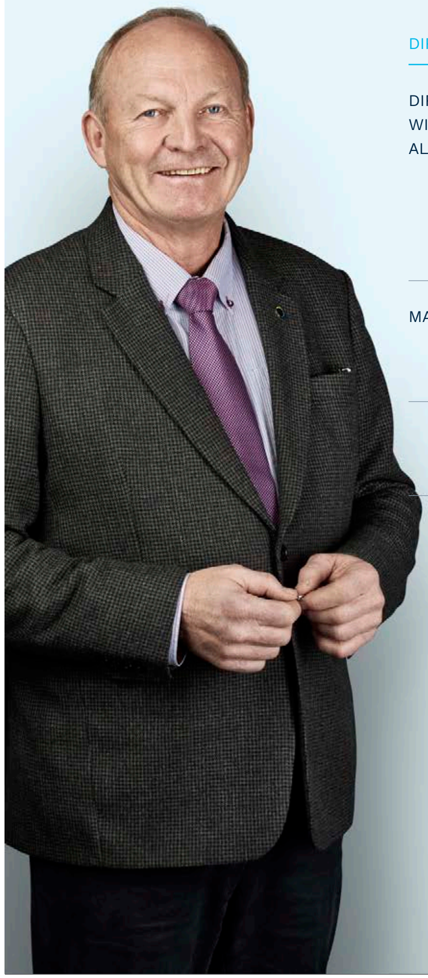
General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
Experience in risk management and solvency compliance Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Deputy Chairman** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand af 1792 fmba Alm. Brand Fond
	Member Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Ringvejens Autolakereri A/S Herm. Rasmussen A/S Herm. Rasmussen A/S Malerforretning Herm. Rasmussen A/S Erhvervsejendomme Eniig a.m.b.a
	Member Herm. Rasmussen A/S Holding Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab Silkeborg Fodbold College Fabrikant Michael Sørensens Fond Ejendomsselskabet Lysbroengen P/S Rederiet Viking P/S Eniig Holding A/S (deputy chairman)
MANAGER	Herm. Rasmussen A/S Holding Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

Flemming Fuglede Jørgensen

Estate owner, born in 1953 and appointed in 2018.



SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into economic matters
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
MANAGER	Dansk Agrodrift ApS E.A.R.L. Villejovet
	National chairman of Bæredygtigt Landbrug

Karen Sofie Hansen-Hoeck

Manager, born in 1965 and appointed in 2013.

SPECIAL QUALIFICATIONS

General management experience
Insight into legal matters
Insight into economic matters
Insight into financial matters
General insight into IT matters
Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Madkulturen (institution under the Ministry of Environment and Food of Denmark)
	Member Danske Spil A/S Softline A/S Fairtrade Mærket Danmark Fonden
MANAGER	Fooducer ApS Retail Network ApS

Boris Nørgaard Kjeldsen

Managing Director, born in 1959 and appointed in 2003

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into legal matters
Insight into economic matters
General insight into IT matters
Experience in risk management and solvency compliance Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand af 1792 fmba Alm. Brand Fond
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Kemp & Lauritzen A/S Aarhus Syd Ejendomme A/S
	Member Benny Johansen & Sønner A/S DAVISTA Komplementarselskab A/S DAVISTA K/S Ejendomsforeningen Danmark (deputy chairman) Arkitektgruppen A/S Rådhuspladsen A/S
MANAGER	DADES A/S (managing director) DAVISTA Komplementarselskab A/S DAVISTA K/S Rådhuspladsen A/S (managing director) Soeborg Ejendomme ApS (managing director) Fisketorvet 2 Odense ApS (managing director)

Anette Eberhard

Manager, born in 1961 and appointed in 2015.

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
General insight into IT matters
Experience in risk management and solvency compliance Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
MANAGER	PKA AIP A/S (manager and managing partner) PKA Private Funds P/S (managing director)

Per Viggo Hasling Frandsen

Estate owner, born in 1952 and appointed in 2009.

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into financial matters
Insight into economic matters
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** "Sia" Per Frandsen Latvia

Ebbe Castella

Manager, born in 1950 and appointed in 2013.

SPECIAL QUALIFICATIONS

General management experience Experience from the Alm. Brand Group's customer segments
Insight into financial matters
Insight into economic matters
Experience in risk management and solvency compliance Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand Bank A/S

Helle Låsby Frederiksen (employee representative)

Staff association chair, born in 1962 and appointed in 2010.

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Chairman** Staff association of Alm. Brand Forsikring A/S
	Member Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond

Claus Nexø Jensen (employee representative)

Tied agent (agricultural insurance), born in 1966 and appointed in 2018.

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond

Brian Egested (employee representative)

Head of department, born in 1969 and appointed in 2014.

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments
General management experience

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member**	
	Alm. Brand A/S	
	Alm. Brand af 1792 fmba	
	Alm. Brand Fond	

Susanne Larsen (employee representative)

Financial adviser, born in 1964 and appointed in 2006.

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments
Insight into financial matters

DIRECTORSHIPS

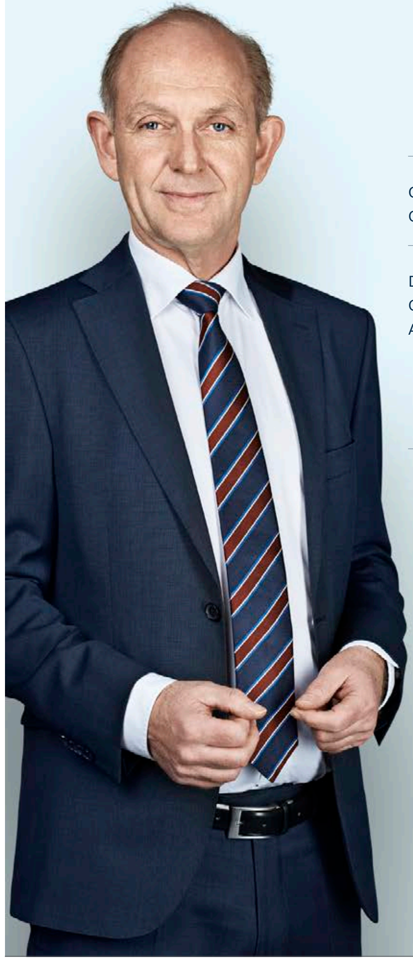
DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member**	
	Alm. Brand A/S	

Management Board

Søren Boe Mortensen

Chief Executive Officer, born in 1955, employed with Alm. Brand since 1987 and appointed to the Management Board in 1998.

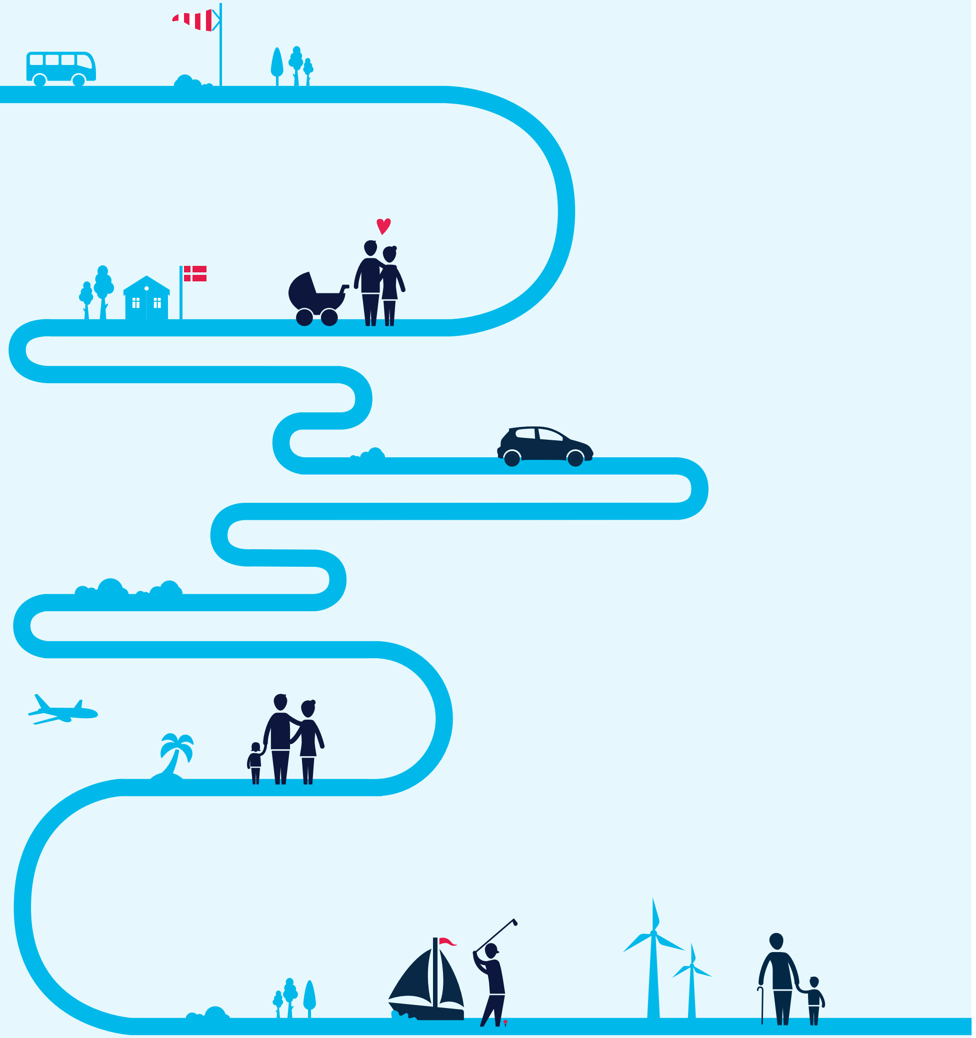
Chief Executive Officer since December 2001.



DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Chairman** Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S Alm. Brand Præmieservice A/S Alm. Brand Ejendomsinvest A/S Pensionskassen under Alm. Brand A/S (appointed by the Management Board) **Member** Alm. Brand Bank A/S
CHIEF EXECUTIVE OFFICER	Alm. Brand A/S Alm. Brand af 1792 fmba
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Forsikringsakademiet A/S Forsikring & Pension Fonden F&P Formidling Forsikringsorganisationernes Fællessekretariat F.M.B.A Foreningen Forsikringsguiden

Financial statements *Group*



Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the annual report of Alm. Brand A/S for the period 1 January to 31 December 2018.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises. The parent company financial statements have been prepared in accordance with the Danish Financial Business Act. The management's review has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2018 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year ended 31 December 2018.

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 describes the principal risks and uncertainties that may affect the group and the parent company.

We recommend the annual report for adoption at the annual general meeting.

Management Board

Copenhagen, 27 February 2019

Søren Boe Mortensen
Chief Executive Officer

Board of Directors

Copenhagen, 27 February 2019

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

Auditors' reports

ENDORSEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2018, which comprise income and comprehensive income statement, balance sheet, statement of changes in equity and notes to the financial statements, including accounting policies, for the group as well as for the parent company, and cash flow statement and consolidated segment reporting. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 31 December 2018 and of its financial performance and cash flows for the financial year 1 January to 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises.

Also, in our opinion, the parent company financial statements give a true and fair view of the financial position of the parent company at 31 December 2018 and of its financial performance for the financial year 1 January 2018 to 31 December 2018 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the audit committee and the Board of Directors.

Basis of opinion

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with international standards on auditing with respect to the planning and performance of the audit.

We have planned and performed the audit so as to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement.

We participated in auditing all critical audit areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review

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

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statements and the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

We did not identify any material misstatement of the management's review.

Internal auditor

Copenhagen, 27 February 2019

Poul-Erik Winther
Group Chief Auditor

INDEPENDENT AUDITORS' REPORT

To the shareholders of Alm. Brand A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Alm. Brand A/S for the financial year 01.01.2018 to 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement and the segment information for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31.12.2018 and of its financial performance and cash flows for the financial year 01.01.2018 to 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31.12.2018 and of its financial performance for the financial year 01.01.2018 to 31.12.2018 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Grundlag for konklusion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in *the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Alm. Brand A/S for the first time prior to 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 23 years up to and including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2018 to 31.12.2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan impairment charges

The Group's loans and advances amount to DKK 5,745 million at 31 December 2018 (DKK 4,631 million at 31 December 2017), and impairment charges for the period a total income of DKK 86 million from 1 January 2018 to 31 December 2018 (total income of DKK 11 million from 1 January 2017 to 31 December 2017).

Determining expected impairment charges for loans and advances is subject to significant uncertainty and to some extent based on management judgements. Due to the significance of such management judgements and the loan volumes, including corporate and agriculture, auditing impairment charges for loans and advances is a key audit matter in our audit.

The principles for determining the review for impairment are described in more detail in the summary of significant accounting policies, and Management has described the management of credit risks and the review for impairment in more detail in notes 8, 20, 46 and 47.

The areas of loans and advances involving the highest level of management judgement, thus requiring greater audit attention, are:

- Identification of credit-impaired exposures
- Parameters and management judgements in the calculation model used to determine Stage 1 and Stage 2 expected losses
- Valuation of collateral and future cash flows, including management judgements involved in determining Stage 3 expected losses
- Identification and statement of management add-ons to the calculation model used

How the matter was addressed in our audit
Based on our risk assessment, our audit comprised a review of the Bank's relevant loan procedures, testing of relevant controls and analysis of developments in the credit quality of loans and advances, including the extent of the review for impairment.

Our audit procedures included testing relevant controls regarding:

- Current assessment of credit risk
- Assessment and validation of parameters and assumptions applied in the calculation model used for impairment charges
- Determining management judgements in the calculation model used and Stage 3
- Determining management add-ons to the calculation model used

Furthermore, our audit procedures included:

- Reviewing, on a sample basis, exposures to assess identification of credit-impaired loans and advances, if any
- Testing the applied input for calculation of impairment charges with particular focus on collateral values for Stage 1 and Stage 2 loans and advances
- Review of the Bank's determination of parameters and staging which includes accurately determined parameters and staging methodology on the basis of input and additional steps taken regarding PD
- Testing, on a sample basis for loans and advances classified to be Stage 3, of whether the review for impairment determined is in accordance with legal and bank guidelines to this effect. This included the testing of applied collateral values and definition of scenarios
- Challenging management add-ons to the calculation model used, including review of the corresponding documentation

Insurance contract provisions
The measurement of provisions for insurance contracts, which, among other things, covers insurance and claims outstanding provision, is complex and significantly affected by accounting estimates based on management judgements, including assumptions of future events. The audit of provisions for insurance contracts is therefore a key audit matter in our audit.

Provisions for insurance contracts total DKK 21,626 million at 31 December 2018 (DKK 20,961 million at 31 December 2017).

Management has further described the principles for the measurement of provisions for insurance contracts in "Summary of significant accounting policies", note 48, pages 139-152, and related material accounting estimates, assumptions and uncertainties in note 47, pages 136-138, and has further specified the insurance provisions in note 26, pages 97-102.

We have assessed that the most significant risks are attributable to the following elements which are either particularly complex and/or highly affected by management judgements:

- Changes to assumptions, including:
  - Mortality and disability
  - Future inflation expectations
  - Direct and indirect costs for release of claims outstanding provisions
- Changes to methodology and models used
- Best estimate of future value of claims
- Estimate of profit margin and risk margin
- Yield curve with addition of volatility adjustment
- Uncertainty specifically connected with long-tailed sectors
- Management add-ons to the actuarial estimates made to manage the risk of unfavourable developments in claims for damages

How the matter was addressed in our audit
We have cooperated with our internationally qualified actuaries in auditing the measurement of provisions for insurance contracts prepared by Management and assessed the methodology and models used.

Our audit procedures have, among other things, included:

- Assessment and test of controls concerning processes for claims and recognition and measurement of provisions concerning claims notified.
- Challenge of the models used based on our knowledge of and experience with the industry, including a review of changes compared to the previous year.
- Assessment of changes to assumptions compared to industry trends and historical observations.
- Evaluation of applied elements mentioned in the risk description, including an assessment compared to historical data and market practice for e.g. mortality and disability.
- Recalculation of provisions for insurance contracts in selected insurance sectors by applying population data, including assessment of management add-ons.
- Recalculation of life insurance provisions for all policies in a selected interest group.
- Sample review of calculation of provisions for selected individual policies concerning life insurance.
- Review and assessment of assumptions for calculation of provision for unearned premiums, risk and profit margin.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

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

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Copenhagen, 27 February 2019

Henrik Wellejus
State-Authorised Public Accountant
MNE no 24807

Brian Schmit Jensen
State-Authorised Public Accountant
MNE no 40050

Income statement

DKKm	Note	Group 2018	Group 2017
Income statement			
Income			
Premium income	1	7,278	6,551
Interest income, etc.	2	671	733
Fee income, etc.	3	181	187
Other income from investment activities	4	7	24
Other income	5	471	278
Total income		**8,608**	**7,773**
Costs			
Claims expenses	6	-4,466	-4,296
Interest expenses	7	-64	-88
Other expenses from investment activities		-54	-62
Impairment of loans, advances and receivables, etc.	8	77	32
Acquisition costs and administrative expenses	9	-1,980	-1,617
Total costs		**-6,487**	**-6,031**
Profit/loss from business ceded	10	-249	-190
Change in life insurance provisions	0	-658	-878
Change in profit margin		-35	-31
Value adjustments	11	-518	501
Tax on pension investment returns	12	14	-121
Profit/loss before tax		**675**	**1,023**
Tax	13	-106	-212
Profit/loss after tax		**569**	**811**
Earnings per share, DKK		3.6	5.0
Diluted earnings per share, DKK		3.6	4.9

Statement of comprehensive income

		Group	
DKKm	**Note**	**2018**	**2017**
Comprehensive income			
Profit/loss for the year		569	811
Items that are or may be reclassified subsequently to profit or loss		0	0
Items that will not be reclassified to profit or loss:			
Revaluation of owner-occupied properties		29	-7
Transferred to collective bonus potential		-29	7
Tax on other comprehensive income		0	0
Total other comprehensive income		**0**	**0**
Total comprehensive income		**569**	**811**

Balance sheet as at 31 December

		Group	
DKKm	Note	2018	2017
Assets			
Intangible assets	14	211	3
Owner-occupied properties	15	713	663
Deferred tax assets	16	46	63
Reinsurers' share of insurance contracts	17	167	163
Current tax assets	18	47	12
Other assets	19	1,866	1,814
Loans and advances	20	5,745	4,631
Investment properties	21	724	610
Investment assets	22	28,413	26,195
Balances due from credit institutions and central banks	23	861	320
Cash in hand and balances at call		232	180
Total assets		**39,025**	**34,654**
Liabilities and equity			
Share capital		1,610	1,655
Reserves, retained earnings, etc.		2,668	2,801
Proposed dividend		470	480
Consolidated shareholders' equity	24	**4,748**	**4,936**
Subordinated debt	25	575	574
Provisions for insurance contracts	26	21,626	20,961
Other provisions	27	52	36
Other liabilities	28	1,295	1,109
Deposits	29	10,298	6,706
Payables to credit institutions and central banks	30	431	332
Total liabilities and equity		**39,025**	**34,654**

Statement of changes in equity

DKKm	Share capital	Contin-gency funds	Other reserves	Other provi-sions	Retai-ned profit	Propo-sed di-vidend	Share-holders' equity
Shareholders' equity at 1 January 2017	**1,735**	**182**	**0**	**1,215**	**1,237**	**831**	**5,200**
Changes in shareholders' equity 2017:							
Profit/loss for the year					811	0	811
Reversed revaluation of owner-occupied properties			-7		0		-7
Transferred to collective bonus potential			7		0		7
Comprehensive income	0	0	0	0	811	0	811
Cancellation of treasury shares	-80				80		0
Proposed dividend					-480	480	-480
Dividende distributed					18	-831	18
Share option scheme, exercise					25		25
Purchase and sale of treasury shares					-287		-287
Changes in shareholders' equity	**-80**	**0**	**0**	**0**	**167**	**-351**	**87**
Shareholders' equity at 31 December 2017	**1,655**	**182**	**0**	**1,215**	**1,404**	**480**	**4,936**
Shareholders' equity at 1 January 2018	**1,655**	**182**	**0**	**1,215**	**1,404**	**480**	**4,936**
Change in accounting policies					-62		-62
Adjusted shareholders' equity at 1 January 2018	**1,655**	**182**	**0**	**1,215**	**1,342**	**480**	**4,874**
Changes in shareholders' equity 2018:							
Profit/loss for the year					569	0	569
Reversed revaluation of owner-occupied properties			29		0		29
Transferred to collective bonus potential			-29		0		-29
Comprehensive income	0	0	0	0	569	0	569
Cancellation of treasury shares	-45				45		0
Proposed dividend					-470	470	0
Dividende distributed					3	-480	-477
Share option scheme, exercise					28		28
Purchase and sale of treasury shares					-246		-246
Changes in shareholders' equity	**-45**	**0**	**0**	**0**	**-71**	**-10**	**-126**
Shareholders' equity at 31 December 2018	**1,610**	**182**	**0**	**1,215**	**1,271**	**470**	**4,748**

The contingency funds are allocated from untaxed funds and are required, according to the articles of association, to be used for the benefit of policyholders. A deferred tax provision has been made for the contingency funds.

Cash flow statement

		Group
DKKm	2018	2017
Cash flows from operating activities		
Premiums received	7,279	6,437
Claims paid	-4,489	-4,283
Dividends received	57	55
Interest, etc. received	485	671
Interest paid	-14	-22
Payments concerning reinsurance	-214	-159
Fee income received	187	193
Fee income paid	-6	-6
Expenses paid	-2,163	-1,986
Tax on pension investment returns paid	-127	-72
Other ordinary income received	471	278
Taxes paid/received	-3	-60
Cash flows from operating activities	**1,463**	**1,046**
Change in investment placement (net)		
Acquisition of intangible assets, furniture, equipment, etc.	86	-142
Properties acquired or converted	-135	584
Sale/acquisition of equity investments	-412	120
Sale/repayment of mortgage deeds and loans	426	436
Sale/purchase of bonds	-817	-842
Acquisition of activities from Saxo Privatbank A/S	-380	0
Change in investment placement (net)	**-1,232**	**156**
Change in financing		
Sale/purchase of treasury shares and cost related to share issue	-218	-262
Dividende distributed	-480	-831
Modtaget udbytte egne aktier	3	18
Change in deposits	228	-247
Change in payables to credit institutions	99	-308
Change in other liabilities	12	5
Change in financing*	**-356**	**-1,625**
Change in cash and cash equivalents	**-125**	**-423**
Cash and cash equivalents beginning of year	500	923
Acquisition of activities from Saxo Privatbank A/S	718	0
Cash and cash equivalents, year end	**1,093**	**500**
Cash and cash equivalents comprise the following items:		
Cash in hand and balances at call	232	180
Balances due from credit institutions and central banks, see note 23	308	144
Balances due from credit institutions and central banks, see note 23	553	176
Cash and cash equivalents, year end	**1,093**	**500**

*) The amount of DKK 356 million consists only of cash inflows og outflows.

Segment reporting, income statement

DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
							2018
Income							
Premiums	1	5,274	2,004	0	0		7,278
Interest income, etc.	2	170	264	239	4	-6	671
Fee income, etc.	3	0	0	243	0	-62	181
Other income from investment activities	4	1	63	1	1	-59	7
Other income	5	0	0	471	0		471
Total income		**5,445**	**2,331**	**954**	**5**	**-127**	**8,608**
Costs							
Claims expenses	6	-3,436	-1,030	0	0		-4,466
Interest expenses	7	-36	-5	-17	-12	6	-64
Other expenses from investment activities		-27	-39	0	-50	62	-54
Impairment of loans, advances and receivables, etc.	8	0	0	77	0		77
Acquisition costs and administrative expenses	9	-908	-99	-1,032	0	59	-1,980
Total costs		**-4,407**	**-1,173**	**-972**	**-62**	**127**	**-6,487**
Profit/loss from business ceded	10	-245	-4	0	0		-249
Change in life insurance provisions		0	-687	0	0	29	-658
Change in profit margin		0	-35				-35
Value adjustments	11	-141	-342	-5	-1	-29	-518
Tax on pension investment returns	12	0	14	0	0		14
Profit/loss before tax		**652**	**104**	**-23**	**-58**	**0**	**675**
Tax	13	-139	-25	44	14		-106
Profit/loss after tax		**513**	**79**	**21**	**-44**	**0**	**569**

Segment reporting, income statement

DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
							2017
Income							
Premiums	1	5,157	1,394	0	0		6,551
Interest income, etc.	2	220	301	209	7	-4	733
Fee income, etc.	3	0	0	244	0	-57	187
Other income from investment activities	4	1	85	-1	0	-61	24
Other income	5	0	0	278	0		278
Total income		**5,378**	**1,780**	**730**	**7**	**-122**	**7,773**
Costs							
Claims expenses	6	-3,264	-1,032	0	0		-4,296
Interest expenses	7	-52	-5	-23	-12	4	-88
Other expenses from investment activities		-33	-42	0	-44	57	-62
Impairment of loans, advances and receivables, etc.	8	0	0	32	0		32
Acquisition costs and administrative expenses	9	-901	-99	-678	0	61	-1,617
Total costs		**-4,250**	**-1,178**	**-669**	**-56**	**122**	**-6,031**
Profit/loss from business ceded	10	-187	-3	0	0		-190
Change in life insurance provisions		0	-871	0	0	-7	-878
Change in profit margin		0	-31	0	0		-31
Value adjustments	11	-24	517	6	-5	7	501
Tax on pension investment returns	12	0	-121	0	0		-121
Profit/loss before tax		**917**	**93**	**67**	**-54**	**0**	**1,023**
Tax	13	-196	-16	-13	13		-212
Profit/loss after tax		**721**	**77**	**54**	**-41**	**0**	**811**

For additional segment information, see note 33 Segment reporting, Non-life Insurance and note 34 Segment reporting, Banking.

Segment reporting, balance sheet

							2018
DKKm	**Note**	**Non-life**	**Life**	**Banking**	**Other**	**Elimination**	**Total**
Assets							
Intangible assets	14	0	0	211	0		211
Owner-occupied properties	15	0	0	11	0	702	713
Deferred tax assets	16	44	104	0	0	-102	46
Reinsurers' share of insurance contracts	17	148	19	0	0		167
Current tax assets	18	0	6	97	16	-72	47
Other assets	19	725	219	1,147	57	-282	1,866
Loans and advances	20	941	0	4,917	0	-113	5,745
Investment properties	21	13	1,395	18	0	-702	724
Investment assets	22	8,586	14,088	5,742	2	-5	28,413
Balances due from credit institutions and central banks	23	0	0	861	0		861
Cash in hand and balances at call		96	96	221	1	-182	232
Total assets		**10,553**	**15,927**	**13,225**	**76**	**-756**	**39,025**
Liabilities and equity							
Share capital		0	0	0	1,610		1,610
Reserves, retained earnings, etc.		1,900	534	1,984	-2,350	600	2,668
Proposed dividend		500	100	0	470	-600	470
Consolidated shareholders' equity	24	**2,400**	**634**	**1,984**	**-270**	**0**	**4,748**
Subordinated debt	25	150	150	175	250	-150	575
Provisions for insurance contracts	26	7,147	14,479	0	0		21,626
Other provisions	27	26	0	26	0		52
Deferred tax liabilities	16	0	25	39	38	-102	0
Current tax liabilities	18	72	0	0	0	-72	0
Other liabilities	28	587	439	348	58	-137	1,295
Deposits	29	0	0	10,480	0	-182	10,298
Payables to credit institutions and central banks	30	171	200	173	0	-113	431
Total liabilities and equity		**10,553**	**15,927**	**13,225**	**76**	**-756**	**39,025**

Segment reporting, balance sheet

DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
							2017
Assets							
Intangible assets	14	0	0	3	0		3
Owner-occupied properties	15	0	0	0	0	663	663
Deferred tax assets	16	53	1	45	0	-36	63
Reinsurers' share of insurance contracts	17	141	22	0	0		163
Current tax assets	18	0	9	106	19	-122	12
Other assets	19	658	141	1,119	55	-159	1,814
Loans and advances	20	1,111	0	3,698	0	-178	4,631
Investment properties	21	13	1,256	4	0	-663	610
Investment assets	22	8,651	13,697	3,567	288	-8	26,195
Balances due from credit institutions and central banks	23	0	0	320	0		320
Cash in hand and balances at call		75	118	165	17	-195	180
Total assets		**10,702**	**15,244**	**9,027**	**379**	**-698**	**34,654**
Liabilities and equity							
Share capital		0	0	0	1,655		1,655
Reserves, retained earnings, etc.		1,903	540	1,575	-2,067	850	2,801
Proposed dividend		590	260	0	480	-850	480
Consolidated shareholders' equity	24	**2,493**	**800**	**1,575**	**68**	**0**	**4,936**
Subordinated debt	25	149	120	175	250	-120	574
Provisions for insurance contracts	26	7,203	13,758	0	0		20,961
Other provisions	27	29	0	7	0		36
Deferred tax liabilities	16	0	0	0	36	-36	0
Current tax liabilities	18	122	0	0	0	-122	0
Other liabilities	28	664	336	223	25	-139	1,109
Deposits	29	0	0	6,987	0	-281	6,706
Payables to credit institutions and central banks	30	42	230	60	0	0	332
Total liabilities and equity		**10,702**	**15,244**	**9,027**	**379**	**-698**	**34,654**

Overview of notes

Notes with reference

Notes without reference

Notes

DKKm	2018	2017
Note 1 Premium income		
Gross premiums	7,260	6,528
Change in unearned premium provisions	18	23
Total premium income	**7,278**	**6,551**
Direct insurance is exclusively written in Denmark		
Premium income, Life Insurance		
Regular premiums	766	704
Single premiums	1,238	690
Total premium income, Life Insurance	2,004	1,394
Individually written insurance	962	650
Insurance written in employment relationship	815	525
Group life schemes	227	219
Total premium income, Life Insurance	2,004	1,394
Number of policies (1,000)		
Individually written insurance	55	56
Insurance written in employment relationship	8	7
Group life schemes	66	65

All policies in Life Insurance written include a bonus arrangement. The life insurance company only writes direct Danish insurance.

DKKm	2018	2017
Note 2 Interest income, etc.		
Equity investments	57	55
Bonds	314	387
Loans secured by mortgages	78	93
Other loans	198	161
Deposits in credit institutions	-2	6
Other investment assets	26	31
Total interest income, etc.	**671**	**733**
Interest income in connection with genuine purchase and resale transactions:		
Balances due from credit institutions and central banks	0	0
Other debtors	0	-1

	2018	2017
Note 3 Fee income, etc.		
Securities trading and deposits	77	88
Payment transfers	8	5
Commission fees	3	2
Other fees and commissions	116	71
Dividends	3	46
Fees and commissions paid	-26	-25
Total fee income, etc.	**181**	**187**
Note 4 Other income from investment activities		
Rental income	25	26
Operation and maintenance - occupied leases	-10	13
Operation and maintenance - vacant leases	-8	-15
Total other income from investment activities	**7**	**24**

Notes

DKKm	2018	2017
Note 6 Claims expenses		
Claims paid	-4,471	-4,379
Change in outstanding claims provisions	5	83
Total claims expenses	**-4,466**	**-4,296**
Run-off result, claims	174	278
Run-off result, risk margin	72	48
Run-off result, ceded business	22	-4
Run-off result, net	268	322

The run-off result includes value adjustment of inflation swaps used to hedge inflation risk related to workers' compensation.

Claims and benefits paid, Life Insurance		
Insurance sums on death	-99	-70
Insurance sums on critical illness	-23	-22
Insurance sums on disability	-5	-5
Insurance sums on expiry	-93	-99
Pension and annuity benefits	-298	-303
Surrenders	-363	-394
Cash bonus payments	-149	-139
Total claims and benefits, Life Insurance	-1,030	-1,032
Note 7 Interest expenses		
Credit institutions and central banks	0	-1
Deposits and other payables	-4	-12
Subordinated debt	-23	-26
Other interest expenses	-25	-30
Discounting insurance contracts	-12	-19
Total interest expenses	**-64**	**-88**

	2018	2017
Interest expenses arising from genuine purchase and resale transactions:		
Payables to credit institutions and central banks	0	0
Deposits and other payables	0	0
Note 8 Impairment of loans, advances and receivables, etc.		
Impairment writedowns on loans, advances and receivables at amortised cost		
Stage 1 no significant increase in credit risk		
Impairment writedowns, beginning of year	10	
New impairment writedowns, net	-7	
Previously impaired, now finally lost	0	
Other movements	0	
Impairment writedowns, end of period	3	
Stage 2 significant increase in credit risk		
Impairment writedowns, beginning of year	83	
New impairment writedowns, net	-8	
Previously impaired, now finally lost	0	
Other movements	0	
Impairment writedowns, end of period	75	
Stage 3 Credit-impaired		
Impairment writedowns, beginning of year	1,065	
New impairment writedowns, net	-30	
Previously impaired, now finally lost	-229	
Other movements	0	
Impairment writedowns, end of period	806	

Notes

	2018
Provisions for losses on guarantees and undrawn credit facilities	
Stage 1 no significant increase in credit risk	
Provisions, beginning of period	2
New provisions, net	6
Previously provided for, now finally lost	0
Other movements	2
Provisions, end of period	10
Stage 2 significant increase in credit risk	
Provisions, beginning of period	2
New provisions, net	4
Previously provided for, now finally lost	0
Other movements	0
Provisions, end of period	6
Stage 3 Credit-impaired	
Provisions, beginning of period	5
New provisions, net	0
Previously provided for, now finally lost	0
Other movements	1
Provisions, end of period	6
Total impairment writedowns and provisions, end of period	906

In connection with the acquisition of activities from Saxo Privatbank A/S, the bank took over loans and advances at a discount of DKK 73 million. Including this discount, the bank's allowance account has a balance of DKK 979 million.

	2018	2017
Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement		
Impairment writedowns on loans and advances for the year	59	
Provisions for losses on guarantees and undrawn credit facilities for the year	-11	
Finally lost, where impairment writedowns/provisions have not been made	-22	
Settlements made on debt previously written off	51	
Recognised in the income statement	77	

Note 9 Acquisition costs and administrative expenses

	2018	2017
Acquisition commission	-148	-153
Other acquisition costs	-576	-564
Administrative expenses	-1,256	-900
Total acquisition costs and administrative expenses	**-1,980**	**-1,617**
Salaries and wages	1,115	1,011
Pension	169	150
Payroll tax, etc.	173	159
Share-based payment	6	6
Total salaries and wages, pension, etc.	1,463	1,326

Part of the payroll expenses for the year have been allocated as claims handling costs and are therefore included under claims incurred.

	2018	2017
Average number of employees	1,770	1,602

Notes

DKKm	2018	2017
Remuneration to the Management Board and Board of Directors (DKK '000)		
Salaries and wages	6,627	6,191
Pension plans	2,260	1,999
Share-based payment	788	734
Total remuneration to the Management Board	9,675	8,924
Directors' fees	5,167	5,167
Total remuneration to the Management Board and Board of Directors	14,842	14,091
Alm. Brand Group remuneration to the Board of Directors (DKK '000)		
Jørgen Hesselbjerg Mikkelsen (Chairman)	1,070	1,070
Jan Skytte Pedersen (Deputy Chairman)	795	795
Anette Eberhard	610	610
Ebbe Castella	450	450
Boris Nørgaard Kjeldsen	450	450
Per Viggo Hasling Frandsen	355	355
Karen Sofie Hansen-Hoeck	275	275
Flemming Fuglede Jørgensen (joined in 2018)	237	0
Henrik Christensen (retired in 2018)	118	355
Brian Egested (employee representative)	275	275
Helle Låsby Frederiksen (employee representative)	275	275
Susanne Larsen (employee representative)	275	275
Claus Nexø Jensen (employee representative, joined in 2018)	186	0
Lars Christiansen (employee representative)	89	275
Total remuneration to the Board of Directors	5,460	5,460
No. of members of the Management Board	1	1
No. of members of the Board of Directors	12	12

Remuneration to the members of the Management Board comprises remuneration to Chief Executive Officer Søren Boe Mortensen.

In Alm. Brand, all employees, including the Management Board member, are entitled to a defined contribution pension plan. The group's expenses in relation to the Management Board's pension plans are shown in the note above.

The Management Board members and Alm. Brand A/S are subject to a mutual notice of termination of 12 months. Furthermore, Management Board members are entitled to severance pay equal to 24 months' remuneration in the event of termination on the part of Alm. Brand A/S.

Effective from 1 July 2016, a share-based remuneration programme for 13% of the fixed salary was established for the senior management team of the Alm. Brand Group. The shares are granted free of charge twice annually (third trading day of June and December, respectively). The value is calculated as a simple average of the average price of one share in Alm. Brand quoted on the first trading day of each calendar month during the calendar months forming the basis of the individual share grant.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 80 thousand annually.

Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually

Group Chief Auditor Poul-Erik Winther, who is employed by the Board of Directors, holds no employment outside Alm. Brand.

DKKm	2018	2017
Remuneration to key employees (DKK '000)		
Salaries	23,930	20,141
Pension plans	4,723	4,714
Share-based payment	2,664	2,314
Total remuneration to key employees	31,317	27,169

Notes

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group.

No severance payments were made in connection with resignations in 2018.

DKKm	2018	2017
Remuneration to risk takers (DKK '000)		
Fixed salary	76,928	69,410
Pension	11,942	10,421
Variable salary	492	140
Share-based payment	3,621	3,119
Total remuneration to risk takers	92,983	83,090
Number of risk takers	66	65

Risk takers are those persons who, in accordance with the Danish Executive Order on remuneration policy and public disclosure of salaries, have a material influence on the company's risk profile.

No severance payments were made in connection with resignations in 2018.

A one-off fee has been paid to risk takers, but no bonus has been disbursed.

Share-based payment

A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

Breakdown of outstanding share options:

	Number of share options held	Exercise price	Fair value at date of grant	Expiry date	Exercised	Number of share options in circulation
Granted on 4 September 2012	328,130	15.39	3.01	04.11.16	328,130	0
Granted on 8 March 2013	922,610	20.06	2.28	08.05.17	922,610	0
Granted on 3 September 2013	906,705	20.42	2.32	03.11.17	906,705	0
Granted on 11 March 2014	604,472	29.16	3.48	11.05.18	604,472	0
Granted on 2 September 2014	577,021	34.78	3.82	02.11.18	577,021	0
Granted on 9 March 2015	563,933	43.87	4.57	09.05.19	321,992	241,941
Granted on 1 September 2015	524,860	43.89	5.10	01.11.19	209,640	315,220
Granted on 14 March 2016	448,084	50.85	6.06	14.05.20		448,084
Granted on 6 September 2016	235,541	55.28	5.66	06.11.20		235,541
Number af share options, year-end	5,111,356					1,240,786

The weighted average remaining contractual term is four months. The weighted average exercise price during the exercise period was DKK 31.9. The average share price at the time of exercise in 2018 was DKK 64.09 (2017: DKK 59.55).

Notes

The company bought 1,240,786 shares in connection with the option scheme.

The estimated fair value at the date of grant has been calculated by applying the Black & Scholes model for measuring options. The valuation is based on the following assumptions:

	2016		2015		2014		2013		2012
	06.09.16	14.03.16	09.03.15	01.09.15	11.03.14	02.09.14	08.03.13	03.09.13	04.09.12
Share price at the date of grant (DKK per share)	50.25	46.23	39.88	39.90	26.51	31.62	18.24	18.56	13.99
Exercise prise (DKK per share)	55.28	50.85	43.87	43.89	29.16	34.78	20.06	20.42	15.39
Expected volatility (%)	22.21	24.7	21.89	23.79	23.56	22.59	22.71	26.48	35.87
Risk-free rate of interest (%)	-0.11	0.00	0.16	0.18	0.62	0.30	0.60	0.89	0.60
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Term to maturity (number of years)	3	3	3	3	3	3	3	3	3

The expected volatility is calculated based on the historical volatility of the price of the parent company's shares seen over the past twelve months. Term to maturity is calculated based on the earliest possible exercise of the share option.

DKKm	2018	2017
Audit fees (DKK '000)		
Deloitte - Audit	3,914	3,614
Deloitte - Other assurance engagements	388	364
Deloitte - Tax consultancy	623	527
Deloitte - Non-audit services	1,840	1,310
Total audit fees	6,765	5,815

Fees for non-audit services predominantly consisted of assistance provided in connection with acquisition of activities of Saxo Privatbank A/S.

Note 10 Profit/loss from business ceded

Reinsurance premiums ceded	-334	-328
Reinsurers' share received	69	144
Change in reinsurers' share of insurance contracts	3	-21
Commissions and profit shares from reinsurance companies	13	15
Total loss from business ceded	**-249**	**-190**

DKKm	2018	2017
Note 11 Value adjustments		
Investment assets		
Equity investments	-243	270
Unit trust units	-36	-19
Bonds	-255	101
Shares in collective investments	0	1
Loans secured by mortgages	18	30
Other investment assets	-48	-145
Exchange rate adjustments	9	12
Carried over to the next page	-555	250

Notes

DKKm	2018	2017
Note 11 Value adjustments - continued	-555	250
Land and buildings		
Investment properties	17	252
Owner-occupied properties	6	1
	-532	503
Discounting insurance contracts	14	-2
Total value adjustments	**-518**	**501**
Change in fair values based on valuation models and recognised in the		
Mortgage deeds	-21	-26
Unlisted shares	-13	-18
Investment properties	17	252
Total change in fair values	-17	208

The group's counterparties are primarily financial institutions with a high credit rating with which the bank exchanges collateral security on a daily basis. Accordingly, the group finds that a credit adjustment does not give rise to any notably different valuation.

Note 12 Tax on pension investment returns		
Tax on pension investment returns regarding current year	14	-121
Total tax on pension investment returns	**14**	**-121**

	2018	2017
Note 13 Tax		
Estimated tax on profit/loss for the year	-16	-59
Adjustment of tax relating to prior years	0	1
Final withholding tax paid	0	1
Tax on reversing entries in equity	-18	0
Adjustment of deferred tax relating to prior years	-72	-155
Total tax	**-106**	**-212**
Tax for the year consists of:		
Tax on accounting profit	-148	-225
Non-deductible expenses and non-taxable income	42	12
Adjustment of tax relating to prior years	0	1
Total tax	-106	-212
Effective tax rate	15.6	20.8

DKKm	2018	2017
Note 14 Intangible assets		
Software and customer relationships	211	3
Intangible assets, year-end	**211**	**3**
Software and customer relationships		
Cost, beginning of year	326	323
Additions during the year	232	3
Cost, year-end	558	326
Accumulated amortisation and impairment, beginning of year	-323	-323
Depreciation for the year	-24	0
Accumulated amortisation and impairment, year-end	-347	-323
Software and customer relationships, year-end	211	3

Alm. Brand Leasing A/S has contractually committed to acquiring intangible assets in an additional amount of DKK 6 million.

DKKm	2018	2017
Note 15 Owner-occupied properties		
Cost, beginning of year	614	637
Addition during the year on acquisition of activities from Saxo Privatbank A/S	11	0
Additions during the year	4	0
Disposals during the year, reclassified to investment properties	0	-23
Cost, year-end	629	614
Accumulated revaluations, beginning of year	76	83
Revaluations during the year	31	1
Reversal of prior year revaluation through shareholders' equity	-2	-8
Accumulated revaluations, year-end	105	76
Accumulated depreciation and impairment, beginning of year	-27	-22
Impairment for the year	0	-6
Reversal of prior year impairment through profit or loss	6	1
Depreciation on disposal	0	0
Accumulated depreciation and impairment, year end	-21	-27
Owner-occupied properties, year-end	**713**	**663**
Restated value, beginning of year	663	698
Additions during the year	15	0
Disposals during the year	0	-23
Value adjustment recognised through the income statement	6	-5
Value adjustment recognised through shareholders' equity	29	-7
Restated value, year-end	713	663
Average return, office property	5.40%	5.59%
Original acquisition cost	625	636

The group's owner-occopied properties are classified as investment properties in the life group, so the reclassification has only been made in the consolidated balance sheet.

The fair value of owner-occupied properties is calculated according to the yield method on the basis of the operating return on the individual property and a return requirement linked to the individual property which reflects the transactions taking place in the property market in the period up to the date of valuation. The resulting fair value is adjusted for deposits, rent above/below market rent, rent on vacant premises and deferred maintenance works and necessary refurbishment expenses. An external appraiser may be engaged where necessary.

The methods applied in the calculation of fair values in the current year are unchanged. The profit for the period includes an unrealised gain of DKK 6 million in value adjustments.

Notes

The most important non-observable inputs used in the fair value calculation are:
Required rate of return 5.59% (2017: 5.59 %)
Rent per m^2 DKK 1,557 (2017: DKK 1,557)

An increase in the required rate of return would result in a decline in the fair value of the properties, while an increase in rent per square metre relative to the assumptions applied would result in an increase in the fair value of the properties. A general increase in rent per square metre in the areas in which the group's investment properties are located would, all other things being equal, result in a slight decline in the return requirement.

DKKm	**2018**	**2017**
Note 16 Deferred tax assets		
Deferred tax assets, beginning of year	63	217
Change in accounting policies	-49	0
Prior-year adjustment	0	1
Change for the year	-72	-155
Tax on pension investment return	104	0
Deferred tax assets, year-end	**46**	**63**
Deferred tax on contingency funds	-40	-40
Deferred tax on tangible assets, etc.	37	54
Deferred tax on real estate	-1	1
Deferred tax on intangible assets	-44	0
Deferred tax on lease assets	-21	-8
Deferred tax on provisions	15	11
Deferred tax in respect of negative tax on pension returns	-23	0
Deferred tax on losses carried forward	19	45
Deferred tax assets, year-end	-58	63
Deferred tax on pension returns	104	0

DKKm	**2018**	**2017**
Deffered tax assets, Non-life	44	53
Deffered tax assets, Life	79	1
Deffered tax assets, Banking	-39	45
Deffered tax assets, Other	-38	-36
Deferred tax assets, year-end	**46**	**63**

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group had total tax assets of some DKK 55 million at 31 December 2018, of which DKK 46 million has been capitalised. Deferred tax in the amount of DKK 40 million has been offset against contingency funds.

Notes

DKKm	2018	2017
Note 17 Reinsurers' share of insurance contracts		
Reinsurers' share of lifeinsurance provisions	19	13
Reinsurers' share of premium provisions	8	9
Reinsurers' share of claims provisions	140	141
Reinsurers' share ofinsurance contracts, year-end	**167**	**163**
Reinsurers' share of life insurance provisions		
Beginning of year	13	13
Change for the year	6	0
Year-end	19	13
Reinsurers' share of premium provisions		
Beginning of year	9	7
Premiums ceded	-318	-310
Payments to reinsurers	317	312
Year-end	8	9
Reinsurers' share of claims provisions		
Beginning of year	141	163
Claims ceded	63	111
Payments received from reinsurers	-64	-133
Discounting	0	0
Year-end	140	141

The portfolio acquisition is described in note 26 Provisions for insurance contracts.

Alm. Brand is automatically notified about any changes to the security rating of reinsurance companies and their financial figures. This provides an overview of thereinsurance market and allows the group to identify potential financial difficulties (run-off) in any of the companies with which it collaborates.

If the security rating of a reinsurer is downgraded to below the level prevailing at the signing of the contract, Alm. Brand has a contractual right to terminate the contract. Any commutation proposals/agreements at less than 100% of the claims provisions are registered, and any disputes that the group might have with its reinsurers are taken into consideration.

Based on the above, at the balance sheet date, the group assesses whether there are any doubtful receivables from reinsurers. If that is the case, an impairment loss is recognised. Alm. Brand has no significant concentrations of credit risks on reinsurers.

Reinsurance is calculated on the basis of gross claims incurred based on the given retention rates. See the section on risk for a more detailed description of retention rates. The sensitivity of reinsurance to changes in assumptions is similar to that for gross claims expenses.

There is a direct correlation between reinsurance and gross provisions, so the level of the reinsurance provisions is considered to be adequate at all times.

DKKm	2018	2017
Note 18 Current tax assets		
Current tax assets, beginning of year	12	10
Tax paid/received in respect of prior years	-12	-10
Tax paid during the year	63	71
Estimated tax on profit/loss for the year	-16	-59
Current tax assets, year-end	**47**	**12**
Current tax assets, Non-life	-72	-122
Current tax assets, Life	6	9
Current tax assets, Banking	97	106
Current tax assets, Other	16	19
Deferred tax assets, year-end	**47**	**12**

Notes

DKKm	2018	2017
Note 19 Other assets		
Receivables from policyholders	182	194
Receivables from insurance brokers	6	3
Receivables from insurance companies	43	54
Other receivables	24	29
Positive market value of derivatives, gross	117	86
Furniture and equipment, computers, cars, etc.	877	963
Other assets	359	246
Pensionskassen under Alm. Brand A/S	15	15
Interest receivable	176	183
Prepayments	67	41
Other assets, year-end	**1,866**	**1,814**
Furniture and equipment, computers, cars, etc.		
Cost, beginning of year	1,458	1,208
Additions during the year	316	495
Disposals during the year	-330	-245
Cost, year-end	1,444	1,458
Accumulated depreciation and impairment, beginning of year	-495	-386
Depreciation for the year	-214	-199
Impairment	0	-5
Depreciation on disposals	142	95
Accumulated depreciation and impairment, year-end	-567	-495
Other balances regarding operating leases	0	0
Furniture and equipment, computers, cars, etc., year-end	877	963
Furniture and equipment, computers, cars, etc., year-end, non-life	2	2
Furniture and equipment, computers, cars, etc., year-end, banking	875	961
Furniture and equipment, computers, cars, etc., year-end	877	963

	2018	2017
Future minimum lease payments for assets held under operating leases		
Term of 1 year or less	222	237
Term of 1-5 years	177	166
Term of 5 years or more	0	0
Total	399	403
Total receivables written down in connection with insurance operations:		
Impairment, beginning of year	117	92
Impairment during the year and reversal c	12	25
Impairment, year-end	129	117

Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S. Om Pensionskassen kan oplyses følgende:

	2018	2017
Present value of commitment, beginning of year	-90	-100
Interest expenses	0	0
Benefits paid	8	9
Actuarial gains/losses from financial assumptions	-3	-4
Actuarial gains/losses from demographic assumptions	3	7
Actuarial gains/losses from experience adjustments	-2	-2
Present value of commitment, year-end	-84	-90
Fair value of plan assets, beginning of year	105	112
Return on plan assets	0	0
Return on assets (excluding amounts recognised in net interest expenses	2	2
Benefits paid	-8	-9
Fair value of plan assets, year-end	99	105
Present value of commitment	-84	-90
Fair value of plan assets	99	105
Net asset recognised in the balance sheet	15	15
Net interest income	0	0
Costs recognised in the income statement	0	0

Notes

DKKm	2018	2017
Remeasurement of defined benefit pension plans		
Return on plan assets excluding amounts recognised in net interest expenses	2	2
Actuarial gains/losses from financial assumptions	-3	-4
Actuarial gains/losses from demographic assumptions	3	7
Actuarial gains/losses from experience adjustments	-2	-2
Recognised in other comprehensive income	0	3
Recognised in income statement and other comprehensive income	0	3

The plan assets are exclusively comprised of cash and cash equivalents (less than DKK 1 million) and bonds valued at the official market price.

The pension obligations are calculated on the basis of the following actuarial assumptions		
The 10-year point on the discount curve at the beginning of the financial year	0.03%	0.04%
Expected rate of inflation	1.00%	1.00%
Average remaining life expectancy in years for pension benefit recipient		
Male	6.9	7.4
Female	6.6	6.8

*) Based on the Danish Financial Supervisory Authority's updated longevity benchmark

The pension fund is a defined benefit disbursement-only fund. There are no contribution-paying members, which means that the members are either retired themselves or retired spouses. All payments are regular life benefits originally determined as a percentage of the members' pensionable salary. The benefits are adjusted twice annually. The adjustment rate is determined as the development in the net price index less 1% p.a.

The pension fund is managed by Alm. Brand A/S, which pays all costs related thereto. Auditing expenses and regulatory fees and taxes are paid by the pension fund. Alm. Brand A/S has undertaken to pay pension contribution determined by the pension fund's chief actuary and any extraordinary contributions required by the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations. The pension fund is managed by a board of directors comprised of eight members, half of whom are elected by an among the voting members of the pension fund.

The pension fund is exposed to risks such as life expectancy risk, interest rate risk and inflation risk.

The calculation of the pension obligations is based on life expectancy. If this life expectancy changes, the value of the pension obligations will increase or decline depending on whether the life expectancy rises or falls. If the actual lifetime exceeds the life expectancy, the pension fund will incur an expense. Conversely, a shorter actual lifetime will result in income for the pension fund.

The obligations of the pension fund are calculated on the basis of expected benefits discounted by the EIOPA discount curve including any positive volatility adjustment.
An interest rate change will affect the value of both assets and liabilities. The difference in this effect constitutes the interest rate risk.

The benefits are adjusted by the development in the net price index less 1 percentage point. Provisions are calculated on the basis of an expected annual increase in the net price index of 2%. If the expected future development in the net price index changes, the value of pension provisions will change as well. If the actual adjustment exceeds the expected adjustment, the pension fund will incur an expense. Conversely, a lower adjustment rate will equal an income.

The actuarial assumptions underlying the determination of the pension obligation comprise discount rate, expected rate of inflation and life expectancies. The sensitivity analysis below has been calculated on the basis of probable changes in the respective assumptions existing at the balance sheet date, while all other variables are maintained.

If the discount rate is 100 bps higher (lower), the pension obligations will decline by DKK 6 million (increase by DKK 4 million). If the rate of inflation is 1 percentage point higher (lower), the pension obligations will increase by DKK 6 million (fall by DKK 5 million). A 10% increase (decline) in mortality intensities will cause the average remaining lifetime to decline (increase) by 0.4 of a year for both men and women and cause the pension obligation to decline by DKK 5 million (increase by DKK 3 million).

The sensitivity analysis does not necessarily reflect the actual change in the obligations, as it is unlikely that changes in one assumption will occur isolated from changes in other assumptions. The present value of the pension obligations in the above sensitivity analysis is calculated in the same way as the calculation of the pension obligations recognised in the balance sheet.

The method used for the sensitivity analysis and the assumptions included therein are unchanged from prior years.

As the pension fund is a disbursement-only pension fund, no contributions are expected to be made to the scheme next year.The average weighted duration of the pension obligations at 31 December 2018 was 5.1 years (2017: 6.6 years).

DKKm	**2018**	**2017**
Note 20 Loans and advances		
Loans and advances at fair value	1,096	1,276
Loans and advances at amortised cost	4,649	3,355
Loans and advances, year-end	**5,745**	**4,631**
Loans and advances at fair value		
Mortgage deeds	1,096	1,276
Loans and advances at fair value, year-end	1,096	1,276
Loans and advances at fair value, year-end, non-life	941	1,111
Loans and advances at fair value, year-end, banking	155	165
Loans and advances at fair value, year-end	1,096	1,276

Of the year's total positive fair value adjustment of mortgage deeds of DKK 18 million (2017: positive adjustment of DKK 30 million), a positive amount of DKK 34 million was due to credit losses (2017: positive amount of DKK 16 million). At 31 December 2018, the accumulated impairment writedowns on the bank’s portfolio of mortgage deeds amounted to DKK 387 million (2017: DKK 486 million)

DKKm	**2018**	**2017**
Loans and advances at amortised cost		
Loans and advances	5,670	4,566
Leases	88	50
Total before impairment etc.	5,758	4,616
Impairment etc.	-957	-1,083
Loans and advances at amortised cost, year-end	4,801	3,533
Gross investment in finance leases		
Term of 1 year or less	32	21
Term of 1-5 years	59	31
Term of 5 years or more	3	2
	94	54
Unearned financial income	-6	-4
Net investment in finance leases, year-end	88	50
Net investment in finance leases		
Term of 1 year or less	30	20
Term of 1-5 years	55	29
Term of 5 years or more	3	1
Net investment in finance leases, year-end	88	50
Of which, any unguaranteed residual value	-	-
Impairment of finance leases	0	0

DKKm	2018	2017
Note 21 Investment properties		
Carrying amount, beginning of year	610	905
Addition during the year on acquisition of activities from Saxo Privatbank A/S	15	0
Additions during the year, property	84	1
Disposals during the year	-2	-509
Value adjustments during the year	17	213
Investment properties, year-end	**724**	**610**
Investment properties, year-end, Non-life	13	13
Investment properties, year-end, Life	693	593
Investment properties, year-end, Banking	18	4
Investment properties, year-end	**724**	**610**
Average return, office property	5.60%	5.79%
Average return, residential property	5.06%	6.00%
Total average return	5.52%	5.80%

Some of the life group's investment properties are used by the group as owner-occupied properties, so the properties are classified as owner-occupied properties in the consolidated balance sheet. See note 15.

Investment properties Non-life and Life

The fair value of investment properties is calculated according to the yield method on the basis of the operating return on the individual property and a return requirement linked to the individual property which reflects the transactions taking place in the property market in the period up to the date of valuation. The resulting fair value is adjusted for deposits, rent above/below market rent, rent on vacant premises and deferred maintenance works and necessary refurbishment expenses. An external appraiser may be engaged where necessary.

The methods applied in the calculation of fair values in the current year are unchanged. The profit for the period includes an unrealised profit of DKK 90 million in Other income from investment activities.

The most important non-observable inputs used in the fair value calculation are:
Required rate of return 5.5% (2017: 5.8 %)
Rent per m^2 DKK 1,210 (2017: DKK 1,277)

An increase in the return requirement would result in a decline in the fair value of the properties, while an increase in rent per square metre relative to the assumptions applied would result in an increase in the fair value of the properties. A general increase in rent per square metre in the areas in which the group's investment properties are located would, all other things being equal, result in a slight decline in the return requirement.

Investment properties Banking

Investment property comprises single-family houses and rental property which are not expected to be sold within 12 months. Single-family houses are measured on the basis of valuations received from external appraisers. Rental property is measured on the basis of a cash flow model that takes into account a return requirement which is dependent on location, financial strength of tenants, lease terms and use etc. Rental property is supplemented by valuations received from external appraisers if the property is deemed to be difficult to sell. If the valuation of single-family houses are lowered by 15%, and the required rate of return on rental property is increased by 1 percentage point, the fair value would change by DKK 1 million.

Notes

DKKm	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Note 22 Investment assets										
Government bonds	346	1,397	555	0	2,298	295	2,643	205	0	3,143
Mortgage bonds	7,762	8,656	4,133	0	20,551	7,843	8,785	3,007	285	19,920
Other fixed-rate instruments	300	1,957	119	0	2,376	312	312	147	0	771
Other floating-rate instruments	67	179	0	2	248	64	98	0	2	164
Bonds at amortised cost	0	0	672	0	672	0	0	0	0	0
Listed shares	0	1,597	27	0	1,624	0	1,556	27	0	1,583
Unlisted shares	9	6	236	0	251	8	5	181	1	195
Positive market value of derivative financial instruments, gross	98	296	0	0	393	121	298	0	0	419
Other	4	0	0	0	0	8	0	0	0	0
Investment assets, year-end	**8,586**	**14,088**	**5,742**	**2**	**28,413**	**8,651**	**13,697**	**3,567**	**288**	**26,195**

The group's holding of listed and unlisted shares had a market value of DKK 1,875 milion at 31 December 2017 (2017: DKK 1,778 million). A significant part of the group's equity exposure is achieved through the use of derivatives such as options and futures. The aggregate equity exposure, including derivatives, was DKK 3,504 million at 31 December 2018 (2017: DKK 3,443 million). The bank's portfolio of financial instruments is recognised under other assets and other liabilities. Please refer to the bank's annual report for further details on the positions. For an overview of the net position in derivative financial instruments, see note 40 Offsetting.

DKKm	2018	2017
Note 23 Balances due from credit institutions and central banks		
Balances at notice with central banks	553	1
Balances due from credit institutions	308	319
Balances due from credit institutions and central banks, year-end	**861**	**320**
By term to maturity:		
Balances at call	308	144
Up to and including 3 months	553	176
Over 3 months and up to and including 1 year	0	0
Year-end	861	320

DKKm	2018	2017
Receivables in connection with genuine purchase and resale transactions:		
Balances due from credit institutions and central banks	0	0
Other debtors	0	0
Year-end	**0**	**0**

Notes

DKKm	2018	2017
Note 24 Consolidated shareholders' equity		
Share capital, year-end	**1,610**	**1,655**

The share capital consists of 165,500,000 shares of DKK 10 each and has been fully paid up.

The following shareholder has announced that it holds more than 5% of the share capital:
Alm. Brand af 1792 fmba, Midtermolen 7, 2100 Copenhagen Ø

DKKm	2018	2017	2016	2015	2014
Share capital, beginning of year	1,655	1,735	1,735	1,735	1,735
Cancellation of treasury shares	-45	-80			
Share capital, year-end	1,610	1,655	1,735	1,735	1,735

Reference is made to the statement of changes in equity.

DKKm	2018	2017
Solvency		
Tier 1 capital after deductions	2,895	3,272
Total capital after deductions	3,319	3,579
Weighted items subject to credit risk	8,947	8,366
Weighted items subject to market risk	816	918
Weighted items subject to operational risk	1,662	1,143
Total weighted items	11,425	10,427
Tier 1 capital after deductions as a percentage of total weighted items	25.3%	31.4%
Total capital ratio	29.1%	34.3%

The total capital is calculated in accordance with the CRD-IV rules and the FICOD II rules.

	2018	2017
No. of shares		
Reconciliation of the no. of shares (1,000)		
Issued shares, beginning of year	165,500	173,500
Treasury shares, beginning of year	-5,915	-10,034
No. of shares, beginning of year	159,585	163,466
Shares acquired/sold during the year	-2,895	-3,881
Cancellation of treasury shares	4,500	8,000
Issued shares, year end	161,000	165,500
Treasury shares, year end	-4,310	-5,915
No. of shares, year end	156,690	159,585
Nominal value, beginning of year	59	100
Acquired during the year, net	29	39
Cancellation of treasury shares	-45	-80
Nominal value, year-end	43	59
Holding (1,000) beginning of year	5,915	10,034
Acquired during the year	3,959	4,803
Sold during the year	-1,064	-922
Cancellation of treasury shares	-4,500	-8,000
Holding (1,000), year-end	4,310	5,915
Percentage of share capital, year-end	2.7%	3.6%

Notes

DKKm	2018	2017
Note 25 Subordinated debt		
Subordinated loan capital		
Floating rate bullet loans maturing 2020.03.15	150	149
Floating rate bullet loans maturing 2024.04.01	250	250
Floating rate bullet loans maturing 2027.01.31	175	175
Subordinated loan capital, year-end	575	574
Subordinated debt, year-end	**575**	**574**
Subordinated debt, year-end, Non-life	150	149
Subordinated debt, year-end, Banking	175	175
Subordinated debt, year-end, Other	250	250
Subordinated debt, year-end	**575**	**574**
Interest on subordinated debt	23	26
Of which amortisation of costs incurred on raising	0	0
Extraordinary instalments	0	0

The subordinated loan capital in the Non-life Insurance segment carries interest at a floating rate of three-month CIBOR plus 1.75 basis points.
The loan may be repaid in full or in part from the first interest payment date after 15 March 2023.

The subordinated loan of DKK 175 million was issued on 31 January 2017. The interest rate is calculated as 6M CIBOR plus a fixed percentage of 5.25% p.a. The subordinated loan will have a 10-year maturity with an option for Alm. Brand Bank to terminate the loan after five years.

The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 5.0 percentage points. The loan must be repaid in full on 1 April 2024. The borrower may repay the loan in full or in part from 1 April 2019 at the earliest.

In connection with the calculation of the total capital, DKK 575 million of the group's subordinated capital of DKK 575 million was recognised in accordance with the applicable rules.

DKKm	2018	2017
Note 26 Provisions for insurance contracts		
Unearned premium provisions	1,188	1,191
Profit margin on non-life insurance contracts	419	431
Outstanding claims provisions	5,252	5,280
Risk margin on non-life insurance contracts	288	301
Life insurance provisions	14,051	13,363
Profit margin on life insurance contracts	428	395
Provisions for insurance contracts, year-end	**21,626**	**20,961**
Unearned premium provisions		
Unearned premium provisions, beginning of year	1,191	1,187
Premiums received	5,255	5,134
Premiums recognised as income	-5,274	-5,157
Discounting (bond maturity effect), all years	7	9
Discounting (value adjustment), all years	-4	3
Change in profit margin	7	21
Change in risk margin	6	-6
Unearned premium provisions, year-end	1,188	1,191
Profit margin on non-life insurance contracts		
Profit margin, beginning of year	431	457
Addition, acquisition of portfolio	0	2
Discounting (bond maturity effect), all years	-8	-7
Discounting (value adjustment), all years	3	0
Change for the year	-7	-21
Profit margin, year-end	419	431

Notes

DKKm	2018	2017
Outstanding claims provisions		
Beginning of year	5,280	5,311
Addition, acquisition of portfolio	0	44
Claims paid regarding previous years	-1,421	-1,340
Change in expected claims expenses regarding previous years	-174	-278
Claims paid regarding current year	-2,020	-2,007
Expected claims expenses, current year	3,609	3,542
Discounting (bond maturity effect), all years	9	14
Discounting (value adjustment), all years	-12	2
Hedging of inflation risk	-31	4
Change in risk margin	12	-12
Outstanding claims provisions, year-end	5,252	5,280
Risk margin on non-life insurance contracts		
Risk margin, beginning of year	301	284
Addition, acquisition of portfolio	0	1
Change for the year regarding previous years	-72	-48
Change for the year regarding current year	60	59
Discounting (bond maturity effect), all years	4	1
Discounting (value adjustment), all years	1	-2
Change for the year in the risk margin on premiums	-6	6
Risk margin, year-end	288	301
Life insurance provisions		
Life insurance provisions beginning of year	13,363	12,488
Profit margin, beginning of year	395	365
Total provisions for insurance contracts, beginning of year	13,758	12,853

	2018	2017
Life insurance provisions - continued		
Collective bonus potential, beginning of year	-1,705	-1,317
Accumulated value adjustments, beginning of year	-1,117	-1,210
Retrospective provisions, beginning of year	10,936	10,326
Adjustment, beginning of year*	6	-20
Gross premiums	2,004	1,394
Addition of return	484	415
Resetting of negative bonus	22	20
Claims and benefits	-1,030	-1,032
Expense supplement after addition of expense bonus	-90	-81
Risk gain after addition of risk bonus	-66	-75
Other changes	-21	-11
Retrospective provisions, year-end	12,245	10,936
Accumulated value adjustments, year-end	1,014	1,117
Collective bonus potential, year-end	1,220	1,705
Total provisions for insurance contracts, year-end	14,479	13,758
Profit margin, year-end	-428	-395
Life insurance provisions, year-end	14,051	13,363

Alm. Brand Liv og Pension A/S writes average rate products with guaranteed benefits and option of surrender. The company's insurances are distributed on six portfolios. Four interest contribution groups are dependent on the guaranteed benefits provided in different periods. In addition, there is a closed portfolio of old life annuities without bonus entitlement (written on basis U74 and basis L66) and a portfolio of health and personal accident insurances.

* An adjustment made at the beginning of 2018 increased the retrospective provisions by DKK 6 million. The difference relative to year-end is attributable to a change in Alm. Brand's quota share of Forenede Gruppeliv.

Notes

DKKm	2013	2014	2015	2016	2017	2018	Total
Run-off triangle, gross							
Estimated accumulated claims							
Year-end	4,004	3,433	3,505	3,460	3,537	3,624	
1 year later	4,285	3,413	3,346	3,365	3,526		
2 years later	4,265	3,290	3,298	3,326			
3 years later	4,259	3,192	3,297				
4 years later	4,165	3,193					
5 years later	4,158						
	4,158	3,193	3,297	3,326	3,526	3,624	21,124
Paid to date	-3,916	-2,929	-2,938	-2,853	-2,799	-2,015	-17,450
Provisions before discounting effect, year-end	242	264	359	473	727	1,609	3,674
Discounting effect	0	0	-1	-1	-2	-5	-9
Acc. value change, health and personal accident insurance	6	4	3	8	7	12	40
	248	268	361	480	732	1,616	3,705
Provisions from 2012 and prior years							1,547
Gross outstanding claims provisions, year-end							5,252
Run-off triangle, net of reinsurance							
Estimated accumulated claims							
Year-end	3,467	3,362	3,411	3,388	3,442	3,603	
1 year later	3,442	3,348	3,272	3,287	3,431		
2 years later	3,458	3,226	3,226	3,239			
3 years later	3,455	3,123	3,223				
4 years later	3,362	3,125					
5 years later	3,351						
	3,351	3,125	3,223	3,239	3,431	3,603	19,972
Paid to date	-3,123	-2,869	-2,879	-2,803	-2,718	-2,013	-16,405
Provisions before discounting effect, year-end	228	256	344	436	713	1,590	3,567
Discounting effect	0	0	-1	0	-2	-5	-8
Acc. change, health and personal accident insurance	5	2	2	4	5	9	27
	233	258	345	440	716	1,594	3,586
Provisions from 2012 and prior years							1,531
Outstanding claims provisions year-end, net of reinsurance							5,117

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2013 to 2018. The stated liabilities were calculated excluding discounting, thus eliminating fluctuations due to changes in discount rates and discounting methods. Worker's compensation and health and personal accident insurance are, however, calculated including discounting. The development is presented gross as well as net of reinsurance.

Notes

DKKm						2018
	Garanteed benefits	Individual bonus-potential	Collective bonus-potential	Total	Return rate (%)	Bonus-rate (%)
Life insurance provisions per basis						
Interest rate group 0	7,784	1,048	761	9,593	0.8	19.8
Interest rate group 1	925	3	171	1,099	0.7	20.6
Interest rate group 2	990	2	128	1,120	-0.8	14.7
Interest rate group 3	2,022	3	160	2,185	-0.8	12.2
Interest rate group L66/U74	54	0	0	54	-	-
Risk groups	0	0	0	0	-	-
	11,775	1,056	1,220	14,051	-0.4	18.6

DKKm						2017
	Garanteed benefits	Individual bonus-potential	Collective bonus-potential	Total	Return rate (%)	Bonus-rate (%)
Life insurance provisions per basis						
Interest rate group 0	6,208	872	1,089	8,169	8.1	26.8
Interest rate group 1	1,018	2	238	1,258	5.8	25.9
Interest rate group 2	1,082	3	157	1,242	5.4	16.4
Interest rate group 3	2,407	3	218	2,628	3.6	13.4
Interest rate group L66/U74	63	0	0	63	-	-
Risk groups	0	0	3	3	-	-
	10,778	880	1,705	13,363	6.6	23.6

No collective bonus potential was added to the expense groups.

Notes

Mio.kr.	2018	2017
Expense result		
Cost contribution after addition of expense bonus	104	82
Insurance operating expenses for the year, net of reinsurance	-96	-96
Expense result, net of reinsurance	8	-14
Expense result as a percentage of technical provisions	0	-0.1
Risk result		
Risk group death	49	70
Risk group disability	7	4
Risk group surviv - L1	9	-12
Risk group surviv - L2	-1	-1
Risk result after addition of risk bonus, net of reinsurance	64	61
Risk resulat as a percentage of technical provisions	0.4	0.5
Return on policyholder's funds after costs before tax (%)	-1.1	5.9

	2018	2017
Riskmargin		
Interest rate group 0	76	56
Interest rate group 1	5	5
Interest rate group 2	4	4
Interest rate group 3	9	8
Interest rate group L66/U74	2	2
Total risk margin	96	75
Profit margin		
Interest rate group 0	349	300
Interest rate group 1	21	26
Interest rate group 2	18	20
Interest rate group 3	40	49
Total profit margin	428	395

Notes

DKKm	2018	2017
Undiscounted expected cash flows		
Life insurance provisions		
Cash flow 1 year or less	760	553
Cash flow 1-5 years	2,212	1,989
Cash flow 5 years or more	11,303	10,507
Gross claims provisions		
Cash flow 1 year or less	190	124
Cash flow 1-5 years	734	784
Cash flow 5 years or more	274	292
Profit margin, gross		
Cash flow 1 year or less	1,252	1,316
Cash flow 1-5 years	-645	-681
Cash flow 5 years or more	-199	-215
Claims provisions, gross		
Cash flow 1 year or less	2,114	2,122
Cash flow 1-5 years	1,742	1,741
Cash flow 5 years or more	1,396	1,404
Risk margin, gross		
Cash flow 1 year or less	56	58
Cash flow 1-5 years	110	116
Cash flow 5 years or more	114	12

Calculation of claims provisions
For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provison models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation consists of an inflation element and a real wage element.

The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the government bondadjusted yield curve of the Danish Financial Super visory Authority.

In workers' compensation, provisions relating to claims years more than tenyears back are also discounted.

Sensitivity of provisions
Social inflation may have a great impact on our results and the size of outstanding claims provisions. Social inflation can be a tendency for the courts to increase claims payments, changed case handling procedures with the public authorities which lead to higher claims and legislative changes that affect benefit levels, also with retroactive effect.

Social inflaion has a particular impact on claims levels within workers' compensation, vehicle and liability insurance. When discounted provisions are made, expectations of the future inflation and discount rates on long-tail business are sensitive to changes.

Adequacy of provisions
The outstanding claims provisions are calculated using actuarial methods and with due consideration *to avoiding run-off losses and run-off gains. At the time they are calculated, the provisions* represent the best estimate of future claims expenses in respect of the current and earlier claims years. The outstanding claims provisions are recalculated every month, which means that the level is considered adequate at all times.

DKKm	2018	2017
Note 27 Other provisions		
Provisions for jubilees, severance payments, bonus, etc.	30	31
Provisions for losses on guarantees	22	5
Other provisions, year-end	**52**	**36**
Provisions for jubilees, severance payment, bonus, etc., beginning of year	31	25
New and adjusted provisions	4	7
Net provisions recognised during the year	-1	-1
Reversed provisions during the year	-3	-1
Discounting effect	-1	1
Provisions for jubilees, severance payment, bonus, etc., year-end	30	31

Notes

DKKm	2018	2017
Provisions for losses on guarantees beginning of year	5	6
Change ind accounting policies	4	0
Provisions for the year	21	1
Reversed provisions for the year	-8	-2
Provisions for losses on guarantees, year-end	22	5

The provision for anniversaries, severance of service, etc. has been calculated using an estimated likelihood of disbursement.

Note 28 Other liabilities

	2018	2017
Payables to policyholders	74	43
Payables related to direct insurance	20	20
Payables related to reinsurance	61	24
Payables to group enterprises	2	18
Negative market value of derivatives	478	409
Liabilities temporarily acquired	0	0
Individual pension return tax payable	85	72
Other payables	534	493
Deferred income	41	30
Other liabilities, year-end	1,295	1,109

For an overview of the net position in derivative financial instruments, see note 40 Offsetting.

Note 29 Deposits

	2018	2017
Deposits at call	8,678	5,812
At notice	260	211
Special categories of deposits	1,360	683
Deposits, year-end	10,298	6,706

Note 30 Payables to credit institutions and central banks

	2018	2017
Credit institutions	431	332
Payables to credit institutions and central banks, year-end	431	332
By term to maturity:		
Due on demand	431	332
Up to and including 3 months	0	0
Over 3 months and up to and including 1 year	0	0
Over 1 year and up to and including 5 year	0	0
Over 5 years	0	0
Year-end	431	332
Debt arising from genuine purchase and resale transactions:		
Payables to credit institutions and central banks	0	0
Other payables	0	0
Year-end	0	0

Note 31 Technical result, Non-life Insurance

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2018 Total
Gross premiums	633	389	484	964	1,133	1,267	129	256	5,255
Gross premium income	635	388	494	963	1,140	1,271	127	256	5,274
Gross claims expenses	-317	-197	-356	-661	-774	-848	-52	-231	-3,436
Gross operating expenses	-141	-39	-75	-163	-232	-203	-17	-38	-908
Profit/loss from business ceded	1	-3	4	-5	-50	-189	-2	-1	-245
Total technical result	**178**	**149**	**0**	**134**	**84**	**31**	**56**	**-14**	**685**
No. of claims	12,262	5,145	18,236	100,616	64,783	20,003	2,248	27,736	251,029
Frequency of claims	0.035	0.162	0.048	0.293	0.160	0.167	0.046	0.118	0.132
Average damages paid for claims incurred, DKK '000	32	51	22	7	12	45	28	9	14

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2017 Total
Gross premiums	621	369	462	887	1,133	1,300	120	242	5,134
Gross premium income	625	370	485	889	1,143	1,293	117	235	5,157
Gross claims expenses	-378	-177	-313	-571	-758	-709	-42	-316	-3,264
Gross operating expenses	-109	-65	-81	-156	-200	-228	-21	-41	-901
Profit/loss from business ceded	-7	-3	-3	-4	-53	-191	-1	75	-187
Total technical result	**131**	**125**	**0**	**158**	**132**	**165**	**53**	**-47**	**805**
No. of claims	12,755	4,560	17,051	87,266	66,750	20,137	2,140	27,293	237,952
Frequency of claims	0.037	0.144	0.045	0.260	0.164	0.169	0.045	0.119	0.127
Average damages paid for claims incurred, DKK '000	30	56	23	7	12	39	26	12	15

Direct insurance is written only in Denmark

Notes

DKKm	2018	2017
Note 32 Return requirement for shareholders' equity, Life Insurance		
Return on investments allocated to equity	-4	0
Result of portfolios without bonus entitlement	1	14
Interest result	27	25
Expense result	8	-13
Risk result	62	60
Group life	10	7
Profit/loss for the year before tax	104	93

Return on equity principles

The Executive Order on the contribution principle issued by the Danish Financial Supervisory Authority lays down the guidelines for return on equity. The return on equity is composed of the direct return on shareholders' equity funds, a risk allowance and the result of portfolios without bonus entitlement.

Customers have been divided into a number of contribution groups based on rate of interest, insurance risk and expenses. The risk premium on shareholders' equity is calculated separately for each group. Similarly, any shadow account, collective bonus potential, transfer and surrender charge, etc. will be determined separately for each contribution group.

The risk allowance for 2018 has been determined as follows:

- Interest rate group: 0.2% of average life insurance provisions net of reinsurance exclusive of collective bonus potential and any use of the bonus potential
- Insurance groups: 100% of the risk result net of reinsurance after bonuses including Forenede Gruppeliv
- Expense groups: 100% of the expense result net of reinsurance after bonuses including Forenede Gruppeliv
- Result of Forenede Gruppeliv including commission payments after deduction of the items included in the expense and risk result.

For the disability insurance group, the risk result is defined specifically before bonus for the purpose of taking the shadow account to income. The shadow account was taken to income in 2018.

The risk premium is calculated exclusively on the basis of the portfolio of policies with bonus entitlement. For policies without bonus entitlement, including life annuities without bonus entitlement, the result, positive or negative, is fully allocated to equity.

The return on equity principles are unchanged for 2019, except for the disability insurance group, which is now calculated net of reinsurance after bonuses.

DKKm			2018
Note 33 Segment reporting, Non-life Insurance			
	Private	**Commercial**	**Total**
Gross premium income	2,670	2,604	5,274
Gross claims expenses	-1,771	-1,665	-3,436
Operating expenses relating to insurance activities	-514	-394	-908
Reinsurance profit/loss	-51	-194	-245
Technical result	334	351	685
Run-off result, claims	95	101	196
Run-off result, risk margin	30	42	72
Gross claims ratio	66.3	64.0	65.2
Net reinsurance ratio	1.9	7.4	4.6
Claims experience	68.2	71.4	69.8
Gross expense ratio	19.3	15.1	17.2
Combined ratio	87.5	86.5	87.0

			2017
Gross premium income	2,644	2,513	5,157
Gross claims expenses	-1,726	-1,538	-3,264
Operating expenses relating to insurance activities	-505	-396	-901
Reinsurance profit/loss	-62	-125	-187
Technical result	351	454	805
Run-off result, claims	119	155	274
Run-off result, risk margin	24	24	48
Gross claims ratio	65.3	61.2	63.3
Net reinsurance ratio	2.4	4.9	3.6
Claims experience	67.7	66.1	66.9
Gross expense ratio	19.0	15.8	17.5
Combined ratio	86.7	81.9	84.4

Non-life Insurance is divided into Private and Commercial. Private comprises the group’s sales of insurances 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. 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.

Transactions between the segments are settled on market terms. The recognition and measurement criteria are consistent with the group's accounting policies. The line items used are consistent with the financial highlights in the management's review and as described in Accounting policies.

Direct insurance is only written in Denmark.

See the management's review for a more detailed description of the segments and the organisational basis.

Notes

DKKm		2018

Note 34 Segment reporting, Banking

	Total	Total
Net interest and fee income	340	251
Trading income	138	167
Leasing	75	70
Other income	51	24
Total income	604	512
Costs	-598	-476
Core earnings	6	36
Investment portfolio earnings	-42	20
Profit/loss before amortisation and impairment writedowns	-36	56
Amortisation, customer relationship	-24	0
Impairment writedowns	86	11
Profit/loss before tax	26	67
Loans and advances	4,469	3,117
Bonds	503	581
Lease assets	10,480	6,987
Other assets	1,984	1,575
Total assets	13,225	9,027

Net interest and fee income originates from lending to private customers, small and medium-sized businesses and from the winding-up portfolio. Further included is income from Non-life Insurance related to the administration of mortgage deeds.

Trading income consists of income from customers in Financial Markets, including brokerage and management fees.

Leasing consists of income from lease agreements with private and commercial customers.

Other income consists of other operating income, including rental income, proceeds from the sale of properties and an option premium for the hedging coverage of cred- it risk on mortgage deeds sold to Non-life Insurance.

Costs comprise remuneration for the Man- agement Board and the Board of Directors and staff costs and other administrative expenses. Further included are amorti- sation and depreciation intangible assets and property plant and equipment which are not lease assets.

Investment portfolio earnings consist of the return on the own portfolio of bonds, sector equities and shares taken over for credit- defence purposes. 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.

Amortisation of the intangible asset customer relations is shown as a separate line item in the financial highlights.

Impairment writedowns comprise credit losses from loans and advances and mort- gage deeds as well as income from expo- sures previously written off.

DKKm	2018	2017
Note 35 Contingent liabilities, guarantees and lease agreements		
Guarantee commitments	2,708	1,712

The group's companies have made lease and rental agreements for computer equipment and premises with total annual payments of DKK 138 million allocated over a five-year period.

As part of its ordinary banking operations, Alm. Brand Bank has a number of contingent liabilities, which in accordance with IFRS are not recognised in the balance sheet. Financial guarantees and loss guarantees in respect of mortgage loans were mainly provided in connection with the business partnership agreements with Totalkredit, DLR Kredit and BRF Kredit, and other contingent liabilities include guarantees provided to the Private Contingency Association and the Danish Guarantee Fund for Depositors and Investors. Alm. Brand Bank has off-balance sheet guarantee commitments in the form of finance gurarantees, loss guarantees in respect of mortgage loans, etc. totalling DKK 2.4 billion.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 9 million relating to property.

Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 0.5 million.

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (Winding-up pension fund). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as an administration company. Alm. Brand A/S has unlimited, joint and several liability together with the other jointly taxed companies for corporate income tax payable from and including the 2013 financial year and for withholding taxes on dividends, interest and royalties from and including 1 July 2012. The net liability of the jointly taxed companies to SKAT is specified in segment reporting, balance sheet. Any subsequent adjustments of income subject to joint taxation and withholding tax, etc. could cause Alm. Brand A/S's liability to increase.

Being an active financial services group, the Group is a party to a number of lawsuits. The cases are reviewed on an ongoing basis, and the necessary provisions are made. Management believes that these cases will not inflict further losses on the Group.

Mio.kr.	2018	2017
Note 36 Collateral security		
Carrying amounts of assets provided as collateral security for technical provisions		
Cash	98	176
Bonds	19,355	19,095
Equity investments and units in unit trusts	1,594	1,572
Shares in collective investments	0	0
Interest receivable	87	82
Properties, mortgages registered to owners	176	52
Investments in subsidiaries	0	0
Collateral security, year-end	21,310	20,977

Monetary-policy counterparties with the Danish Central Bank can obtain credit only against security through the mortgaging of approved securities.

As part of its current operations, the bank provided collateral security to Danmarks Nationalbank and Clearstream in the form of bonds representing a nominal value of DKK 507 million (2017: DKK 568 million). The collateral security provided is not subject to any special conditions.
As collateral for positive and negative fair values of derivative financial instruments, respectively,

cash in the amount of DKK 1 million was received and cash in the amount of DKK 145 million was paid at 31 December 2018 (2017: DKK 1 million and DKK 117 million).

In repo transactions (sale of securities which the group agrees to repurchase at a later date), the securities remain in the balance sheet, and the consideration received is recognised under payables. Securities in repo transactions are treated as assets placed as collateral for obligations. The counterparty is entitled to sell or remortgage the securities received.

In reverse transactions (purchase of securities that the group agrees to resell at a later date), the group is entitled to sell or remortgage the securities. The securities are not recognised in the balance sheet, and the consideration paid is recognised under receivables.

Assets received as collateral in connection with reverse transactions may be resold to third parties. If this is the case, a negative portfolio may arise due to the accounting rules. This is recognised under "Other liabilities". As at 31 December 2018, the fair value of financial assets accepted as collateral security which have been sold or remortgaged amounted to DKK 0 million (2017: DKK 0 million). Alm. Brand Bank is required to return similar securities.

DKKm	2018	2017
Assets sold as part of repo transactions:		
Bonds at fair value	0	0
Assets bought as part of reverse transactions:		
Bonds at fair value	0	0

Note 37 Related parties

The Alm. Brand A/S Group considers the following to be related parties:

- Alm. Brand af 1792 fmba (parent company)
- The Management Board and Board of Directors of Alm. Brand Group
- Key employees

Related parties also include related family members of the Management Board, Board of Directors and key employees as well as companies in which these persons have significant interests.

The Alm. Brand Group handles administrative tasks for Alm. Brand af 1792 fmba.

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S, DKK 150 million to Alm. Brand Forsikring and subordinated loan capital of DKK 175 million to Alm. Brand Bank A/S.

An overview of subsidiaries is provided in the corporate overview.

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value. The

Alm. Brand Forsikring A/S has an option agreement with Alm. Brand Bank A/S to sell back mortgage deeds to the bank if a debtor defaults on its payment obligations. The bank thus assumes the underlying credit risk on the mortgage deeds, while the market risk is assumed by Alm. Brand Forsikring A/S, including the risk of interest rate changes and early redemption.

Alm. Brand A/S has issued a guarantee to Alm. Brand Bank, covering 75% (most secure part) of the residual risk on the portfolio of cars held on operating leases. The guarantee is limited to DKK 500 million, and an annual commission of 0.75% of the utilised guarantee is paid. An amount of DKK 2.4 million was paid in 2018.

Notes

	2018			
	Alm. Brand af 1792 fmba	**Key employees**	**Management Board and board of directors of A/S**	**Companies controlled by members of the Board of Directors**
Sale of services	892	2	7	0
Purchase of services	331	0	2	0
Interest and fee income	0	0	0	0
Interest and fee expenses	23	0	2	0
Receivables	0	16	2	2
Debt	588	20	70	0
Collateral	0	5	1	1
Interest rates on loans		1,5-4,5%	1,5-4,5%	1,5-2,5%

	2017			
	Alm. Brand af 1792 fmba	**Key employees**	**Management Board and board of directors of A/S**	**Companies controlled by members of the Board of Directors**
Sale of services	1151	2	7	1
Purchase of services	634	0	0	0
Interest and fee income	0	0	0	0
Interest and fee expenses	20	0	1	0
Receivables	0	10	2	2
Debt	454	18	52	0
Collateral	0	4	1	1
Interest rates on loans		1,5-4,5%	1,5-4,5%	1,5-5,0%

Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.

See note 26 Acquisition costs and administrative expenses, which sets out further details on remuneration paid to the group's Board of Directors, Management Board and other senior executives.

In addition to the remuneration paid to members of the Board of Directors, Management Board, etc. in the financial year, the following transactions took place between the Alm. Brand Group and the related parties:

The buying and selling of services comprising insurance services and the provision of bank products in the form of loans, guarantees, credits and buying/selling of mortgage deeds etc. is made on an arm's length basis. Board members elected by the employees, however, obtain the usual staff terms. Payables comprise deposits with the bank, pension deposits in banking and Pension etc. No losses or impairment charges were recognised on related party transactions in the financial year or the previous financial year.

Notes

Mio.kr.			2018			2017
Note 38 Fair value and classification of financial assets, liabilities and instruments						
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
Assets at fair value classified on initial recognition using the fair value option						
Loans and advances	1,096	0	1,096	1,276	0	1,276
Assets at fair value through income statement						
Government bonds	2,298	0	2,298	3,143	0	3,143
Mortgage bonds	20,551	0	20,551	19,920	0	19,920
Other fixed-rate instruments	2,376	0	2,376	771	0	771
Other floating-rate instruments	248	0	248	164	0	164
Listed shares	1,624	0	1,624	1,583	0	1,583
Unlisted shares	251	0	251	195	0	195
Other investment assets	0	0	0	0	0	0
Positive market value of derivative financial instruments	510	0	510	505	0	505
Loans and receivables at amortised cost						
Loans and advances at amortised cost	4,677	4,649	4,649	3,561	3,355	3,355
Bonds at amortised cost	672	672	672	0	0	0
Receivables from policyholders	182	182	182	194	194	194
Receivables from insurance brokers	6	6	6	3	3	3
Receivables from insurance companies	43	43	43	54	54	54
Other receivables	24	24	24	29	29	29
Pensionskassen under Alm. Brand A/S	15	15	15	15	15	15
Interest receivable	176	0	176	183	0	183
Balances due from credit institutions and central banks	861	861	861	320	320	320
Assets temporarily acquired	0	0	0	0	0	0
Other assets	359	359	359	246	246	246
Cash in hand and demand deposits	232	232	232	180	180	180
Financial assets, year-end	35,105	7,043	35,077	31,066	4,396	30,860

DKKm			2018			2017
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
Liabilities at fair value through income statement						
Negative market value of derivative financial instruments	478	0	478	409	0	409
Liabilities, amortised cost						
Subordinated debt	575	575	575	574	574	574
Payables to policyholders	74	74	74	43	43	43
Payables related to direct insurance	20	20	20	20	20	20
Payables related to reinsurance	61	61	61	24	24	24
Payables to group enterprises	2	2	2	18	18	18
Deposits	10,299	10,298	10,298	6,707	6,706	6,706
Payables to credit institutions and central banks	431	431	431	332	332	332
Liabilities temporarily acquired	0	0	0	0	0	0
Other payables	534	534	534	493	493	493
Financial liabilities, year-end	12,474	11,995	12,473	8,620	8,210	8,619

Loans, advances and receivables at fair value, bonds at fair value, shares etc. and derivatives are measured at fair value in the financial statements so that recognised values equal fair values.

The difference between the fair value and the recognised value of Loans, advances and receivables at amortised cost is assumed to equal the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the loans were established. Changes in the credit quality are not taken into account as these are assumed to be included in impairment on loans for recognised values as well as fair values.

The fair value of deposits and other payables is assumed to equal the interest rate level-dependent value adjustment calculated by comparing current market rates with the market rates prevailing when the deposits were established.

Subordinated debt is measured at amortised cost. The difference relative to fair values is assumed to be the interest rate level-independent value adjustment calculated by comparing current market rates with the market rates prevailing when the issues were made. As regards the bank's subordinated debt, changes in fair values due to changes in the bank's own credit rating are not taken into account.

Fair value adjustments of financial assets and liabilities represent a total unrecognised unrealised gain of DKK 27 million at the end of 2018 and are attributable to higher interest rates on the underlying assets and liabilities relative to the level of interest rates at year-end. This adjustment was mainly attributable to Subordinated debt.

In the accounting policies, the calculation of fair values is described further for items recognised at fair value.

					2018					2017
DKKm	**Non-life**	**Life**	**Banking**	**Other**	**Total**	**Non-life**	**Life**	**Banking**	**Other**	**Total**
Fair value measurement of financial instruments										
Level 1										
Financial assets										
Loans and advances	0	0	0		0	0	0	0	0	0
Bonds	6,132	9,767	2,970	0	18,869	8,514	11,148	3,256	285	23,203
Shares	0	1,597	27	0	1,624	0	1,556	27	0	1,583
Other assets	0	0	0	0	0	0	0	0	0	0
Total financial assets	6,132	11,364	2,997	0	20,493	8,514	12,704	3,283	285	24,786
Financial liabilities										
Subordinated debt	0	0	0	0	0	0	0	0	0	0
Other payables	0	0	0	0	0	0	0	0	0	0
Total financial liabilities	0	0	0	0	0	0	0	0	0	0

Notes

DKKm	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
					2018					2017
Level 2										
Financial assets										
Loans and advances	0	0	4763	0	4,649	0	0	3,561	0	3,383
Bonds	2343	2,417	1837	0	6,597	0	682	103	0	785
Shares	0	0	158	0	158	0	0	114	0	114
Other assets	240	383	68	0	687	267	381	46	2	2
Total financial assets	2,583	2,800	6,826	0	12,091	267	1,063	3,824	2	4,970
Financial liabilities										
Liabilities temporarily acquired	0	0	0	0	0	0	0	0	0	0
Deposits	0	0	10480	0	10,298	0	0	6,988	0	6,707
Other payables	418	155	58	0	517	265	103	47	0	415
Total financial liabilities	418	155	10,538	0	10,815	265	103	7,035	0	7,122
Level 3										
Financial assets										
Loans and advances	941	0	155	0	1,096	1,111	0	165	0	1,276
Bonds	0	5	0	2	7	0	8	0	2	10
Shares	9	6	77	1	93	8	5	67	1	81
Investment properties	13	1,395	18	0	724	13	1,256	4	0	610
Other assets	0	0	0	0	0	0	0	0	0	0
Assets temporarily acquired	0		0	0	0	0		2	0	2
Total financial assets	963	1,406	250	3	1,920	1,132	1,269	238	3	1,979
Financial liabilities										
Subordinated debt	150	150	175	250	575	149	120	175	250	574
Deposits	0	0	0	0	0	0	0	0	0	0
Other payables	0	0	4	0	0	0	0	8	0	0
Total financial liabilities	150	150	179	250	575	149	120	183	250	574

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. Due to a revaluation in 2018, the bank's subordinated loan of DKK 175 million has been reclassified from level 2 to level 3. There have been no changes to the data basis. Other than this, there were no transfers between categories in the fair value hierarchy in 2017 or 2018.

Loans, advances and other receivables at fair value comprises mortgage deeds measured using a valuation model which estimates the present value of expected future cash flows. The valuation is based in part on observable market data (interest rates) and in part on expected future redemption and loss rates. Measurement at fair value is based on a swap yield curve plus 50 basis points and expected repayment rates between 5.4 % and 7.3 %, depending on whether the counterparty is a commercial or a private customer, and expected loss rates in the 0.75%-4.25% range, depending on property type and loan-to-value ratios. If the average expected repayment rate is increased by 1 percentage point and the expected loss rates are increased by 0.5 of a percentage point, a negative change of the fair value for the market value model of DKK 24.1 million (2017: DKK 28.7 million). See note Accounting policies for additional information.

Bonds measured at quoted prices primarily comprise Danish mortgage bonds and, to a lesser extent, Danish government bonds and corporate bonds. These bonds are attributed to level 1 if a quoted price is identified within 1-3 trading days before the date of calculation (depending on the type of bond). Bonds which are not traded are attributed to level 2. The method is unchanged, but the presentation was changed in 2018 to the effect that these bonds are now distributed on levels 1 and 2. Other bonds included in level 2 are those which, as a result of lack of market liquidity, are measured based on market rates and yield spreads to these as observed for similar issues. Bonds included in level 3 consist of a small amount contributed to a fund. If the yield increases by 1 percentage point, the value of this bond portfolio will decline by DKK 0.5 million.

Bonds at amortised cost comprise a bond which is expected to be held to maturity. The fair value has been measured on the basis of a model calculated price.

Shares mainly comprise listed shares and equity futures measured at quoted prices. The bank's unlisted shares consist of sector-owned companies and shares received for credit-defence purposes.

For unlisted shares in sector-owned companies where the shares are redistributed, such redistribution is considered to represent the primary market for the shares. The fair value is determined as the redistribution price, and the shares are recognised as level 2 assets. For other unlisted shares and shares received by the bank for credit-defence purposes where no observable input is immediately available, the measurement is based on an estimate which builds on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties. The shares are included in level 3. A 10% drop in share prices would cause the value to decline by DKK 9.3 million in aggregate.

Other assets comprises interest receivable at DKK 176 million and positive values of derivative financial instruments at DKK 510 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments mainly comprise interest rate swaps, which are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable interest rate points, interpolation between interest rate points and exchange rates. Listed futures and options are measured on the basis of obtainable prices. Unlisted options are measured on the basis of obtainable volatilities, prices of underlying assets and exercise prices using Black-Scholes. Forward exchange transactions are measured on the basis of obtainable forward premiums and exchange rates. Inflation swaps are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable index points og interest rate points, interpolation between these and exchange rates.

Other liabilities comprises interest payable at 6 million and negative values of derivative financial instruments at 478 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments are valued on the basis of listed prices from an active market and using generally accepted valuation models with observable data, including yield curves, volatilities and equity indices.

The vast majority of financial instruments measured at amortised cost (loans, deposits) cannot be transferred without the customer's prior acceptance, and no active market exists for trading in such financial instruments. The specified information on fair value is therefore solely based on changes in interest rates relative to the time of establishment.

Owner-occupied properties and investment properties are measured in the same way. See note 15 for additional information regarding owneroccupied properties and note 21 for additional information about investment properties.

					2018					2017
DKKm	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Development in level 3 financial instruments										
Loans and advances										
Carrying amount, beginning of year	1,111	0	165	0	1,276	1,329	0	194	0	1,523
Additions during the year	0	0	8	0	8	0	0	11	0	11
Disposals during the year	-130	0	-52	0	-182	-161	0	-39	0	-200
Realised value adjustments	1	0	-2	0	-1	1	0	1	0	2
Unrealised value adjustments	-41	0	36	0	-5	-58	0	-2	0	-60
Carrying amount, year-end	941	0	155	0	1,096	1,111	0	165	0	1,276

Notes

DKKm	Non-life	Life	Banking	Other	Total 2018	Non-life	Life	Banking	Other	Total 2017
Value adjustments recognised in the income statement	-40	0	34	0	-6	-57	0	-1	0	-58
Bonds										
Carrying amount, beginning of year	0	8	0	2	10	0	6	0	2	8
Additions during the year	0	0	0	0	0	0	2	0	0	2
Disposals during the year	0	-3	0	0	-3	0	0	0	0	0
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	0	0	0	0	0	0	0	0
Carrying amount, year-end	0	5	0	2	7	0	8	0	2	10
Value adjustments recognised in the income statement	0	0	0	0	0	0	0	0	0	0
Shares										
Carrying amount, beginning of year	8	5	67	1	81	7	3	86	1	97
Additions during the year	0	1	7	0	8	0	1	8	0	9
Disposals during the year	0	0	0	0	0	0	0	-1	0	-1
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	1	0	3	0	4	1	1	-26	0	-24
Carrying amount, year-end	9	6	77	1	93	8	5	67	1	81
Value adjustments recognised in the income statement	1	0	3	0	4	1	1	-26	0	-24
Assets temporarily acquired										
Carrying amount, beginning of year	0	0	2	0	2	0	0	0	0	0
Additions during the year	0	0	0	0	0	0	0	2	0	2
Disposals during the year	0	0	-2	0	-2	0	0	0	0	0
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	0	0	0	0	0	0	0	0
Carrying amount, year-end	0	0	0	0	0	0	0	2	0	2

Notes

DKKm	Non-life	Life	Banking	Other	Total 2018	Non-life	Life	Banking	Other	Total 2017
Value adjustments recognised in the income statement	0	0	0	0	0	0	0	0	0	0
Other liabilities										
Carrying amount, beginning of year	149	120	183	250	574	149	120	10	250	393
Additions during the year	150	150	0	0	150	0	0	175	0	175
Disposals during the year	-149	-120	0	0	-149	0	0	0	0	0
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	-4	0	0	0	0	-2	0	6
Carrying amount, year-end	150	150	179	250	575	149	120	183	250	574
Value adjustments recognised in the income statement	0	0	-4	0	0	0	0	-2	0	6

See note 9 for a specification from 1 January to 31 December of the investment properties.

Value adjustments are recognised in the income statement under value adjustments.

DKKm	Non-life	Life	Banking	Other	Total 2018	Non-life	Life	Banking	Other	Total 2017
Rating of bonds										
Rated AAA	7,202	10,277	4,083	0	21,562	7,482	10,476	2,667	163	20,788
Rated AA- to AA+	918	1,339	580	0	2,837	717	962	408	122	2,209
Rated A- to A+	150	141	32	0	323	93	98	137	0	328
Others	205	432	112	2	751	222	302	147	2	673
Bonds at fair value, year-end	8,475	12,189	4,807	2	25,473	8,514	11,838	3,359	287	23,998

DKKm					2018					2017
Note 39 Return on financial instruments										
	On initial recognition fair value	**Assets through income statement**	**Assets at amortised cost**	**Debt at amortised cost**	**Total**	**On initial recognition fair value**	**Held for trading, fair value**	**Assets at amortised cost**	**Debt at amortised cost**	**Total**
Interest income, etc.	26	429	216	0	671	40	525	168	0	733
Fee income etc.	127	-29	83	0	181	9	118	60	0	187
Other income		0	471	0	471		0	278	0	278
Total income	153	400	770	0	1,323	49	643	506	0	1,198
Interest expenses		-33	0	-31	-64		-64	0	-24	-88
Value adjustments excluding credit losses on mortgage deeds	-59	-493	0	0	-552	3	520	0	0	523
Credit losses on mortgage deeds	0	34	0	0	34	-22	0	0	0	-22
Impairment of loans, advances and receivables, etc.	0	0	77	0	77	0	0	32	0	32
Profit/loss before tax	94	-92	847	-31	818	30	1,099	538	-24	1,643

Fee income from management activities amounted to DKK 89 million (2017: DKK 105 million), and fee expenses from management activities amounted to DKK 5 million (2017: DKK 5 million).

Comparative figures for 2017 have not been restated to reflect the IFRS 9 presentation, and distribution on columns are therefore not comparable.

	Derivatives	Repo agreements	Total	Derivatives	Repo agreements	Total
Note 40 Offsetting						
Financial assets						
Recognised assets, gross	511	0	511	505	0	505
Liabilities offset in the balance sheet	0	0	0	0	0	0
Financial assets stated at net amounts in the balance sheet	511	0	511	505	0	505
Related amounts which have not been offset in the balance sheet						
Financial instruments	-19	0	-19	-13	0	-13
Financial collateral	-147	0	-147	-280	0	-280
Net amounts	345	0	345	212	0	212
Financial liabilities						
Recognised liabilities, gross	477	0	477	409	0	409
Assets offset in the balance sheet	0	0	0	0	0	0
Financial liabilities stated at net amounts in the balance sheet	477	0	477	409	0	409
Related amounts which have not been offset in the balance sheet						
Financial instruments	-19	0	-19	-13	0	-13
Financial collateral	-20	0	-20	-280	0	-280
Net amounts	438	0	438	116	0	116

Derivative financial instruments are recognised in the balance sheet at fair value. Negative fair values are included under Other liabilities, while positive fair values in the banking segment are included under Other assets and in the other segments under Investment assets. Financial instruments in the balance sheet are comprised by framework agreements for netting or other agreements. Assets and liabilities are offset when Alm. Brand and the counterparty have a legally enforceable right to offset the recognised amounts and subsequently realise the assets and settle the liability simultaneously. Alm. Brand uses master netting agreements, which entitle the group to offset amounts when a counterparty is in default as the exposure to the counterparty in such a case would be reduced because of collateral security received. Collateral security reduces the exposure if a counterparty is in default, but it does not meet the criteria for offsetting in accordance with IFRS.

Notes

DKKm	Non-life	Life	Banking	Other	Total 2018	Non-life	Life	Banking	Other	Total 2017
Note 41 Financial instruments by term to maturity										
Bonds										
Expiry within 1 year	1,279	644	1,062	0	2,985	1,530	250	1,081	87	2,948
Expiry between 1 year and 5 years	5,753	4,318	3,479	0	13,550	4,156	2,205	1,819	169	8,349
Expiry after more than 5 years	1,443	7,227	266	2	8,938	2,828	9,383	459	31	12,701
Bonds, year-end	8,475	12,189	4,807	2	25,473	8,514	11,838	3,359	287	23,998
Cash in hand and balances at call										
Expiry within 1 year	96	96	221	1	232	75	118	165	17	180
Expiry between 1 year and 5 years	0	0	0	0	0	0	0	0	0	0
Expiry after more than 5 years	0	0	0	0	0	0	0	0	0	0
Cash in hand and balances at call, year-end	96	96	221	1	232	75	118	165	17	180
Loans, advances and receivables										
Expiry within 1 year	226	44	1,872	0	2,030	262	36	1,442	0	1,562
Expiry between 1 year and 5 years	194	0	2,110	0	2,304	209	0	876	0	1,085
Expiry after more than 5 years	706	0	1,796	0	2,502	854	0	1,700	0	2,554
Loans, advances and receivables, year-end	1,126	44	5,778	0	6,836	1,325	36	4,018	0	5,201
Deposits and payables to credit institutions and central banks										
Expiry within 1 month	260	266	9,033	0	9,264	96	263	6,154	0	6,279
Expiry between 1 month and 3 months	0	0	407	0	407	0	0	284	0	284
Expiry between 3 months and 1 year	0	0	17	0	17	0	0	18	0	18
Expiry between 1 year and 5 years	0	0	113	0	113	0	0	103	0	101
Expiry after more than 5 years	0	0	1,083	0	1,083	0	0	488	0	488
Deposits and payables to credit institutions and central banks, year-end	260	266	10,653	0	10,884	96	263	7,047	0	7,170

Notes

DKKm	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
					2018					2017
Guarantees and rent commitments										
Expiry within 3 months			403	11	403			170	0	170
Expiry between 3 months and 1 year			619	47	633			50	6	56
Expiry between 1 year and 5 years			193	133	237			34	24	58
Expiry after more than 5 years			1,179	4	1,183			879	0	879
Guarantees, year-end			2,394	195	2,589			1,133	30	1,163
Financial liabilities										
Expiry within 3 months	127	22	29	0	64	265	103	33	0	401
Expiry between 3 months and 1 year	0	0	12	0	8	0	0	2	0	-6
Expiry between 1 year and 5 years	22	33	8	0	63	0	0	9	0	9
Expiry after more than 5 years	269	100	13	0	382	0	0	11	0	11
Financial liabilities, year-end	418	155	62	0	517	265	103	55	0	415

The actual expiry dates may deviate from the contractual expiry dates as the issuers of the specific instruments may be entitled to repurchase the instrument before it expires. See note 26 Provisions for insurance contracts, which includes the expected cash flow for the group's claims and life insurance provisions. Amounts in the table above do not comprise interest payments.

DKKm	2018	2017
Note 42 Credit risk		
Credit risk by type of financial asset		
Government bonds	2,298	3,143
Mortgage bonds	20,551	19,920
Other fixed-rate instruments	2,376	771
Other floating-rate instruments	248	164
Other investment assets	0	0
Reinsurers' share of insurance contracts	167	163
Receivables from policyholders	182	194
Receivables from insurance brokers	6	3
Receivables from insurance companies	43	54
Other receivables	24	29
Positive market value of derivative financial instruments, gross	510	505
Other assets	359	246
Interest receivable	176	183
Balances due from credit institutions and central banks	861	320
Cash in hand and demand deposits	232	180
Loans and advances	5,745	4,631
Maximum credit risk, year-end	34,450	30,506

The group's exposure to credit risk primarily involves financial receivables such as mortgage deeds and other loans and advances as well as credit risk on the portfolio of credit bonds. The portfolio of credit bonds in the life insurance company forms part of customer investment assets. 100% of the portfolio of credit bonds carries an Investment Grade-rated (BBB- and higher). Overdue receivables in the non-life company are written off after nine months.

DKKm	2018	2017
Loans and guarantees distributed by sector and industry		
Public authorities	0.0%	0.0%
Business sectors:		
Agriculture, hunting, forestry and fishery	1.3%	2.9%
Manufacturing and raw materials extraction	0.2%	0.1%
Energy supplies	0.0%	0.0%
Construction	0.6%	0.2%
Trade	0.4%	0.3%
Transport, restaurant and hotel industry	1.0%	0.4%
Information and communications	0.2%	0.0%
Credit and financing and insurance	5.5%	7.4%
Property administration and trading, business services		6.8%
Other business	3.2%	5.7%
Business total	22.0%	23.8%
Private customers	78.0%	76.2%
Total	100.0%	100.0%

Notes

DKKm					2018
Credit exposures	**Stage 1**	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
Rating category 1	63	0	0	0	63
Rating category 2	466	0	0	0	466
Rating category 3	1,398	0	0	0	1,398
Rating category 4	2,359	12	0	0	2,371
Rating category 5	2,007	181	0	0	2,188
Rating category 6	2,269	149	0	0	2,418
Rating category 7	43	77	0	0	120
Rating category 8	7	30	0	0	37
Rating category 9	0	157	0	0	157
Rating category 10	0	84	391	45	520
Total	8,612	690	391	45	9,738
Public authorities	0	0	0	0	0
Business sectors:					
Agriculture, hunting, forestry and fishery	16	85	17	1	119
Manufacturing and raw materials extraction	16	1	0	0	17
Energy supplies	1	0	0	0	1
Construction	107	1	0	0	108
Trade	51	2	0	0	53
Transport, restaurant and hotel industry	55	20	1	1	77
Information and communications	15	0	0	0	15
Credit and financing and insurance	688	32	14	0	734
Property administration and trading, business services	573	36	191	6	806
Other business	221	6	9	9	245
Business total	1,743	183	232	17	2,175
Private customers	6,869	507	159	28	7,563
Total	8,612	690	391	45	9,738

DKKm	2018	2017
Description of value of security for loans found to be impaired after individual assessment		
Value of security		
Real property, private	130	95
Real property, commercial	438	483
Cash and highly marketable securities	0	0
Cars	5	4
Other security	34	28
Value of security, year-end	607	610

Collateral security is valued on the following basis:
Real property; Estate agent valuation, reasoned internal assessment or public assessment considering type of property, location, condition and estimated marketability.
Cash and cash equivalents; Official price where available and otherwise the transaction price obtainable in a transaction between independent parties.
Goods, cars; Assessment from BilpriserPro considering type, model and age.
Personal property, other collateral; based on individual assessments.

The collateral security stated is unstressed. In the calculation of impairment writedowns on agricultural and property exposures in financial difficulty, the value of collateral security is calculated on the basis of realisable value upon a sale within six months.

	2018	2017
Realised security, including conditions		
Value of realised security		
Real property, commercial	1	2
Cars	3	3
Total value of realised security	4	5

Forced realisation of collateral becomes necessary if the bank cannot induce the creditor or the provider of collateral security to enter into a voluntary agreement on realisation. The bank always seeks to maximise the value of collateral by way of forced realisation. Before forced realisation of collateral is initiated, the debtor and/orthe provider of collateral will receive typically eight days' notice, however, shorter notice may be given in case of an obvious risk of imminent impairment of the value of the collateral.

	2018	2017
Description of the total value of security at the balance sheet date		
Value of security		
Real property, private	3,338	2,724
Real property, commercial	1,102	1,069
Cash and highly marketable securities	359	157
Cars	124	77
Other security	83	40
Value of security, year-end	5,006	4,067

The assets are marked to market. See description earlier in this note.

Under the total credit exposure, DKK 0.9 billion (2017: DKK 1.1 billion) concerns a loss option to cover mortgage deeds in Alm. Brand Forsikring, whereas the associated collateral in real property is not included.

Notes

DKKm	2018	2017
Note 43 Market risk		
Currency risk		
Foreign currency positions:		
Long positions	5,976	5,972
Short positions	-2,853	-3,909
Net positions	3,123	2,063
Foreign currency positions distributed on the five largest net positions:		
EUR	1,746	848
SEK	277	301
USD	153	149
NOK	90	72
MXN	87	71
Other	770	622
Total foreign currency positions	3,123	2,063

	2018	2017
Interest rate risk		
Total interest rate risk calculated according to the group's internal approach.	1,329	1,524

The internal calculation approach is used for the management of day-to-day risk. The calculation approach applies modified option-adjusted durations for the calculation of interest rate risk in the event of a 1 percentage point increase in interest rates. Interest rate risk is measured as the expected loss on interest rate positions that would result from an immediate upwards or downwards change in all interest rates by 1 percentage point. The interest rate risk is calculated for each currency.

	2018					
DKKm	Non-life	Life *)	Banking *)	Other	Total	% of share-holders' equity
Note 44 Sensitivity information						
Sensitivity information, group						
Risk on shareholders' equity in case of specific events:						
Interest rate increase of 1 percentage point	-27	-10	-46	2	-81	-1.7
Interest rate fall of 1 percentage point	2	8	33	-2	41	0.9
Share price fall of 15%	-29	0	-41	0	-70	-1.5
Fall in property prices of 15%	-3	0	0	0	-3	-0.1
Currency risks excluding EUR, 25% decline	0	0	-2	0	-2	0.0
1 percentage point spread widening	-144	-16	-95	0	-255	-5.4
Caststrophe events:						
- one "100-year event"	-96	0	0	0	-96	-2.0
- two "100-year events"	-215	0	0	0	-215	-4.5

*) Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to Pension do not include risks related to securities owned by the policyholders.

Note 46 Capital- and risk management contains a detailed description of the risks assumed by th group.

DKKm	2018

Note 45 Opening balance sheet Saxo Privatbank

On 5 February 2018, Alm. Brand Bank A/S entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities. The acquisition was completed with effect from 1 April 2018. The acquisition price represented DKK 380 million. The net value of assets and liabilities in the opening balance sheet was calculated at DKK 560 million. Acoordingly, badwill of DKK 180 million was recognised in the financial year under other operation income.

The most significant assets are composed of cash and receivables from other banks of DKK 718 million in aggregate, securities of DKK 1,546 million and advances of DKK 1,519 million. Securities mainly consist of listed Danish mortgage bonds and a small portfolio of sector equities. Loans and advances are distributed on 15.000 private customers and 2,500 small and medium-sized businesses. An intangible asset of DKK 223 million in respect of customer relationships and a related deferred tax liability of DKK 49 million have been recognised. Customer relationships have been measured on the basis of expected engagements with customer relationships existing at the time of acquisition. Customer relationships are amortised on a straight-line basis over a period of seven years, starting from 1 April 2018.

Total integration cost of DKK 199 million have been recognised, consisting primarily of costs related to withdrawal from SDC, costs related to integration with Bankdata and payroll cost for terminated employees. In Addition, transaction cost of DKK 2 million were incurred.

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash in hand	75,992
Amounts due from credit institutions and central banks	642,375
Securities	1,545,615
Intangible asset, customer relationships	223,000
Loans and advances at fair value	3,968
Loans and advances at amortised cost	1,515,406
Properties	25,492
Other assets	34,267
Payables to credit institutions and central banks	-807
Deposits	-3,364,524
Other liabilities	-88,423
Deferred tax liabilities	-49,060
Other provisions	-3,494
Total	559,807
Acquisition price (provisional)	-379,508
Badwill	180,299

NOTE 46 CAPITAL AND RISK MANAGEMENT

Capital management

The capital management is based on the achievement of three key business objectives:

- Having solid total capital which supports the statutory and the group-determined requirements
- Generating a return on consolidated shareholders' equity of 12.5% before tax
- Supporting a stable dividend policy

Alm. Brand's subsidiaries have defined their capital targets significantly above the solvency requirements for their capital in order to support the group-determined capital requirements. The capital targets are described in detail on pages 44-47. The capital target reflects the Board of Director's intention that the group's capital resources should be sufficiently robust to be able to absorb a number of major adverse events such as a major windstorm or losses on the financial markets.

The total capital is composed of shareholders' equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin and to a limited extent deferred tax.

Risk management

The objective of risk management in the Alm. Brand Group is to ensure that the risks assumed at any given time are calculated and reflect the companies' business strategy, risk profile and capital resources. This is achieved through identification, measurement via e.g. stress scenarios, active management and reporting of both actual and potential risks which the company is exposed to during the strategy period.

At least once annually, the Board of Directors of each individual subsidiary defines and approves the company's overall policy for assuming risk and sets up the overall risk guidelines as well as the scope of the reporting requirements. The Board of Directors performs an ongoing assessment of the individual and aggregate risks in the relevant company and in that connection determines whether the risks are acceptable. On the basis of the Board of Directors' powers, the Management Board determines the day-to-day risk management.

The group has several committees ensuring that material issues are addressed in a uniform manner across the group. The group's central risk forum (RISKO) is a risk committee which serves to ensure advice, coordination and uniformity in the group companies with respect to accepting, calculating and reporting risk.

In addition, the investment committee has overall oversight with the management of the assets held in the individual Alm. Brand companies. This oversight is intended to ensure that the management is in compliance with legislation and with the decisions made by the boards of directors of the individual companies.

The IT security committee has overall responsibility for the group's IT security and for ensuring that the group maintains a balanced IT security level and has up-to-date IT security policies and guidelines. The IT security committee also makes cross-functional decisions and decides issues of a fundamental nature and sets up the contingency arrangements for the handling of any emergency situations.

The Alm. Brand Group's risk management is organised into three lines of defence. The first line of defence is defined as the operative management. The operative management is responsible for the ongoing assumption of risks, for the measurement and risk assessment of processes, for the establishment of business procedures, for the effective management of all material assignments and day-to-day activities subject to risk as well as for compliance with applicable law and internal guidelines.

The second line of defence is defined as functions which are organised independently of the operative management and which monitor and report on risk, including validation of the applied risk management methods and models. The second line of defence advises the first line of defence with respect to the measurement and assessment of risk and the structuring of internal controls. In the Alm. Brand Group, the second line of defence consists of the risk management function, the compliance function and the actuarial departments.

The third line of defence is defined as functions which are organised independently of the managing director and the group directors and of the performance of the tasks in the first and second lines of defence. In the Alm. Brand Group, the third line of defence consists of department of the internal auditor and the internal auditing function. The third line of defence makes an independent assessment of the operative processes, the risk management and the controls established. See the description of functions and the audit strategy defined by the Board of Directors.

In addition, a forum for operational risk collates information about operational events in the Alm. Brand Group. Participating in this forum are Risk Management, Compliance, IT and Internal Audit. Moreover, the group has an approval committee for financial products. This committee is responsible for ensuring that business procedures, processing routines, etc. are in place before new products or activities are implemented, helping to mitigate operational risk.

LIQUIDITY MANAGEMENT

The bank's Treasury department manages the group's liquidity centrally. On a day-to-day basis, the Treasury department monitors and manages liquidity based on the liquidity requirement of the entire group. The objective of the Treasury department is to ensure that liquidity is at all times sufficient to support operations and comply with the statutory requirements for the group companies. Compliance with liquidity requirements is ensured through internally defined limits.
The liquidity management is determined on the basis of a conservative risk profile. In addition, there are adequate liquidity resources to continually ensure that the group will at any given time have the liquidity required to cover day-to-day operations.

RISK FACTORS

We take various types of calculated risk in support of the group's long-term business objectives. The content and size of risks encountered in the various business areas differ considerably, but generally risk parameters for the group can be illustrated as shown in the figure below.

The sections below provide details on the risk scenarios of Alm. Brand Forsikring A/S, Alm. Brand Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S.

ALM. BRAND FORSIKRING A/S

In all significant areas, it has been considered what the desired risk profile of Alm. Brand Forsikring A/S should be. Business procedures and controls in that respect have been designed and reports are submitted to the Board of Directors and Management Board of Alm. Brand Forsikring A/S on a regular basis.

Risk parameters

Insurance risks

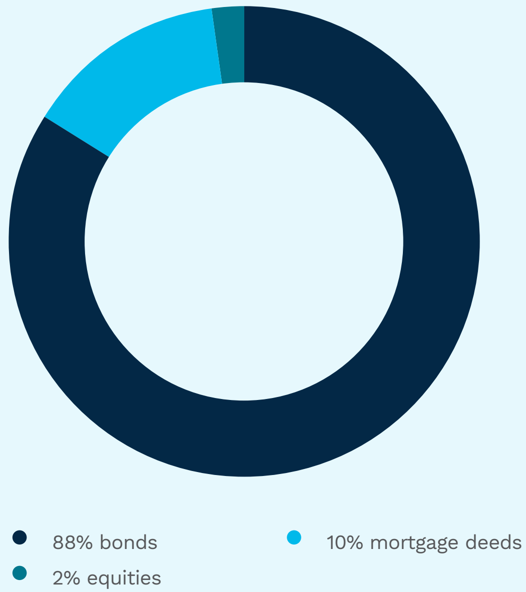
The primary risks are premium risks (the risk of claims expenses and costs exceeding premium income), claims provision risks (the risk of provisions being too low relative to the ultimate cost of the loss) and catastrophe risks (the cost of extreme events).

Rules governing acceptance and writing of new business at customer and product level reduce premium risks. Written risks are assessed for the possibility that several policies can be affected by the same loss event (accumulation). Moreover, each customer adviser has been given instructions as to what risks can be accepted. In addition, premium risks are reduced through the use of reinsurance and by frequently monitoring trends in tariff parameters.

The most important reasons for claims provision risks are model and calculation uncertainties as to claims provisions and claims inflation. The amount of run-off gains and losses is evaluated in the annual actuarial report relative to the expectations from the company's partial internal model. This control contributes to providing a true and fair view of the risk of run-off losses.

Catastrophe risks are covered through reinsurance. The purpose of the reinsurance

Investment assets Non-life Insurance



programme is to ensure that a single loss event or a random accumulation of large losses does not lead to an unacceptable loss of capital and, moreover, the purpose is to reduce fluctuations in technical results.

The greatest single risks in Alm. Brand Forsikring are natural disasters and terrorism events. The company's risk associated with natural disasters is assessed using the partial internal model and a number of scenarios based on portfolio exposure and on a calculated probability. Both show that the current reinsurance programme will provide cover at least for losses resulting from a 1:200-year storm.

For 2019, Alm. Brand Forsikring purchased catastrophe reinsurance cover for up to DKK 4.3 billion with retention of DKK 75 million. Reinsurance supplemented by facultative coverage covers fire claims with retention of DKK 30 million, while personal injury on accident and workers' compensation claims are covered with retention of DKK 20 million. In addition, frequency cover has been taken out against major fire events and against extraordinarily many windstorm and precipitation events (cloudbursts, snow load etc.).

The risk of a terrorism event is not always comprised by insurance risks covered by the company. In cases in which Alm. Brand Forsikring covers this type of event, the company's risk is covered by one of the following two options: First of all, the so-called terrorism pool covers losses involving nuclear, biological or chemical risks. Secondly, through own programmes Alm. Brand Forsikring has coverage directed at claims in connection with terrorist attacks due to other (conventional) causes. In addition, specific coverage has been taken out on selected buildings in respect of conventional terrorism events.

Health insurance risks

Health insurance risk arises as a result of the insurance group's writing of workers' compensation and personal accident insurance. These policies all give rise to both premium, claims provision and catastrophe risks, as described in the section on non-life insurance risks.

Particularly workers' compensation insurance is affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Such factors have a tendency to drive up the number of insurance-covered claims and average claims expenses. These external risk factors arise due to trends in society and are difficult to predict, thereby making it difficult to price health insurance risks correctly.

Because workers' compensation insurance is of a longer-tail nature and because the legislative framework is more complicated, the potential impact of risk factors on the results of workers' compensation lines is greater compared with personal accident lines.

Market risks

The management of market risk is intended to ensure achievement of an optimum return without putting the total capital of Alm. Brand Forsikring at risk of significant deterioration due to financial market developments or financial difficulties of individual issuers.

The asset allocation of Alm. Brand Forsikring at 31 December 2018 reflects its focus on stable returns and low investment risk. The investment assets of Alm. Brand Forsikring are predominantly placed in interest-bearing assets, most of which are Danish mortgage bonds with a high credit rating. The average duration is between two and three years.

The interest rate risk on assets and liabilities is monitored on an ongoing basis. Interest rate swaps are used to adjust the interest rate risk on the assets. Throughout 2018, the risk profile was more or less neutral relative to interest rate changes.

In late 2014, Alm. Brand Forsikring acquired most of Alm. Brand Bank's portfolio of mortgage deeds. The transaction contained an option agreement to protect Alm. Brand Forsikring against future credit losses. This means that Alm. Brand Forsikring can deliver back mortgage deeds to the bank if the mortgage deed debtors default on their payment obligations. The bank thus retains the credit risk, whereas Alm. Brand Forsikring only assumes the market risk associated with investing in the mortgage deeds.

About 2% of the portfolio is placed in equities, and less than 1% of the assets are placed in unlisted equities, primarily in the form of strategic sector equities. Sector equities are held for the purpose of supporting the insurance activities.

The currency risk of Alm. Brand Forsikring is related to a limited exposure to bonds denominated in foreign currency and to positive market values of derivative fixed-income instruments denominated in foreign currency.

Notes

NOTE 46 CAPITAL AND RISK MANAGEMENT – CONTINUED

Through its holding of Danish mortgage bonds, Alm. Brand Forsikring is exposed to rising mortgage bond yields.

Counterparty risks
Counterparty risk arises when a counterparty in a financial agreement fails to meet its obligations. Counterparty risk is broken down into two types in the solvency calculation. Type 1 counterparty risk covers exposure to large financial enterprises, for instance due to reinsurance agreements or financial contracts. Type 2 counterparty risk covers the risk that ordinary insurance customers fail to pay what they owe to Alm. Brand Forsikring.

Type 1 counterparty risk related to reinsurance arises for example if Alm. Brand Forsikring's reinsurers go into insolvent liquidation, resulting in a partial loss of receivables and in new coverage of the business having to be purchased. In order to minimise the risk related to each reinsurer, reinsurers must be rated at least A- with Standard & Poor's or A.M. Best. Deviations from this rating must be approved by the Board of Directors.

Financial counterparties are most often credit institutions in which case the receivable arises in a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account, which creates a type 1 counterparty risk. Placement limits contain restrictions as to the companies' maximum receivable from specific credit institutions.

Alm. Brand Forsikring limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with the counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

In addition, Alm. Brand Forsikring has type 1 counterparty risk on Alm. Brand Bank. This is due to Alm. Brand Forsikring's option to sell back delinquent mortgage deeds to Alm. Brand Bank. The capital strength of Alm. Brand Bank is monitored on an ongoing basis to ensure that Alm. Brand Bank can honour any claims from Alm. Brand Forsikring arising due to delinquent mortgage deeds.

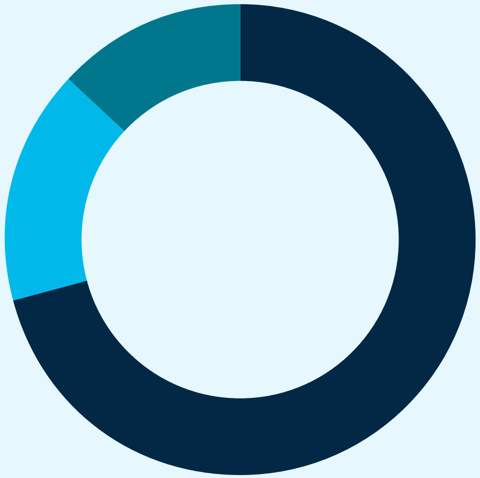
Receivables from policyholders in Alm. Brand Forsikring arise on an ongoing basis and an allowance is made in that respect in the solvency requirement as type 2 counterparty risk.

Other risks
Liquidity risk is very limited because premiums in the company are pre-paid. Non-life Insurance is under the greatest liquidity pressure after a weather-related event, but may procure liquidity within a short period by selling assets.

ALM. BRAND LIV OG PENSION A/S

Life insurance risks
Biometric risks consist of mortality, longevity, disability, catastrophe risk, costs and option risk (risk related to the scope of surrender and re-writing to paid-up policies). Disability and mortality risks are limited by guidelines for how large a risk the company may accept. It is currently standard policy with Alm. Brand Liv og Pension A/S to only write risk coverage subject to the customer providing individual health information. Alm. Brand Liv og Pension has a single product under which corporate pension schemes are offered against provision of limited personal health information. Moreover, risks are limited through a reinsurance programme which mitigates the effects of losses incurred on large customers. The reinsurance programme also comprises ca-

Investment assets policyholders' funds Life Insurance



- 75% bonds
- 15% equities
- 10% property

tastrophe cover in the event of several customers/lives being hit by the same event.

To cover any future fluctuations in mortality or disability rates, a risk margin is added to market value provisions, calculated on the basis of the value of the cost of capital charge for future solvency capital requirements (the so-called cost of capital approach of Solvency II). The market value parameters for use in the calculation of market value provisions are assessed at least once a year.

Alm. Brand Liv og Pension's breakdown into contribution groups means that generally there is no collective bonus potential in the contribution groups for mortality, longevity and disability, respectively. This generally implies that losses incurred in these groups will be paid through equity. However, the overall buffers may be applied through the use of negative bonus, thereby limiting the risk to the reaction rate of bonus rate adjustments.

Alm. Brand Liv og Pension has a relatively small exposure to longevity, as the portfolio is predominantly composed of capital, retirement and instalment pension schemes. Alm. Brand uses the Danish Financial Supervisory Authority's benchmark for longevity assumptions for the calculation of provisions – and the Solvency II standard formula for the assessment of longevity risk.

Health insurance risks
New health and personal accident business in Alm. Brand Liv og Pension is written outside the framework of guaranteed interest, ensuring that the customers receive a sharper but also more flexible insurance price. These policies give rise to both premium, claims provision and catastrophe risks but are also affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Premium risk is limited to one year due to the possibility of a quick change of price

Market risks
Alm. Brand Liv og Pension's insurance portfolio is divided into four interest rate contribution groups characterised by the different guarantee levels on which the insurances are based. The investment strategies of the individual interest rate contribution groups are carefully designed to match the investment buffers of each individual group. This means that the highest interest rate contribution group has a relatively small share of higher-risk assets relative to provisions.

The current level of interest rates still makes it difficult to achieve an investment return that matches the high guarantee levels. However, the high guarantee levels will be reduced significantly over time as a result of the factors set out below.

Alm. Brand Liv og Pension has introduced the principle that the full amount of any surplus on the policies' interest rate, risk or expense results must be used to lower the future required rate of return on the insurances. This gradually reduces the guarantees for the interest rate groups and has the effect that, over time, they will be moved to interest rate groups with lower guarantees.

No new business is written in the highest group, which predominantly consists of insurances under disbursement or close to retirement, and the portfolio is thus gradually reduced. At 31 December 2018, the portfolio amounted to DKK 2.0 billion or approximately 16% of total provisions in the contribution portfolio.

At least once a month and otherwise as needed, Alm. Brand Liv og Pension calculates the solvency capital requirement and the expected profit for the year. In addition, sensitivity analyses are carried out according to a selection of economic scenarios (e.g. combinations of a rise or fall in interest rates, decline in equities and a widening of the credit spread (OAS)).

The asset allocation of Alm. Brand Liv og Pension is diversified across a number of asset classes. The risk tolerance is calculated relative to the total assets. This has the consequence that groups with large investment buffers will have more higher-risk assets than groups with low investment buffers, as what is measured is the overall risk exposure for shareholders' equity.

Derivatives are used to adjust the interest rate risk of the individual contribution groups in order to achieve the desired risk profile between assets and liabilities for each interest rate contribution group. The greatest interest risk arises in the event of a sudden and severe interest rate fall, giving the company no time to adjust its hedging activities. The duration of provisions increases with the decline in interest rates.

Equity exposure is only accepted on investment equities for policyholders' funds, and the exposure is accepted on the basis of a global investment universe. In addition, Alm. Brand Liv og Pension holds a limited number of unlisted equities, primarily in the form of strategic sector equities. These equities are held for the purpose of supporting the business activities.

NOTE 46 CAPITAL AND RISK MANAGEMENT – CONTINUED

Property exposure is accepted only for policyholders' funds. Most of the property investments are owner-occupied properties. In 2018, the Board of Directors approved investment in European property funds. This will increase diversification for property investments as well as for the overall asset portfolio. The risk profile defined for the purchasing and selling of property, including funds, is focused on a high degree of security and stable returns on a long-term horizon.

Alm. Brand Liv og Pension pursues a proactive currency strategy, which means that foreign equity and bond positions are not currency hedged unless deemed expedient.

Counterparty risks

Counterparty risk often arises due to a receivable in connection with a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account with a credit institution. Placement limits contain restrictions as to how large an exposure a company may have with specific credit institutions.

Alm. Brand Liv og Pension limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with its counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

Other risks

The liquidity risk is very limited. The greatest liquidity risk is the risk of a large number of customers wanting to move their pension savings at the same time. Should this materialise, the company may procure liquidity within a short period by selling assets and may furthermore mitigate the risk to a certain extent by introducing a transfer and surrender charge.

ALM. BRAND BANK A/S

The bank's forward-looking activities offer products that meet private customer financial needs. Moreover, the bank has activities within leasing, bond, equity and currency trading as well as research (Financial Markets) and asset management (Asset Management). This is reflected in the types of risk accepted by the bank.

Credit risks

Credit risk is the risk of incurring a financial loss due to default on counterparties' payment obligations. Credit risk includes losses/impairment writedowns on loans, guarantees, derivatives, etc., concentration risk on customer types, exposure types, collateral types, etc., a general change in credit quality due to changes in legislation, economic conditions, market practices and conditions, etc.

The bank wishes to have a cautious risk profile and thus aims to always have optimum credit risk management in order to ensure a stable platform for the bank.

The bank's future lending strategy is directed at private customers resident in Denmark and small and medium-sized businesses with simple financial needs. As a result, Alm. Brand Bank mainly grants loans to private customers, small and medium-sized businesses, investment credit facilities in Financial Markets and leasing in the subsidiary Alm. Brand Leasing A/S. The bank still holds mortgage deeds and credit exposures with commercial and agricultural customers as counterparties, which will be phased out in the years ahead. The bank does not wish to have any significant exposure to international activities.

Once a year, the bank's Board of Directors reviews and approves the credit policy and the associated guidelines describing the rules governing the bank's loan granting, provision of guarantees and other credit risks. In addition, the Board of Directors grants the largest exposures.

The bank has a policy of not establishing new exposures exceeding 10% of the bank's adjusted total capital. Based on the calculation of the supervisory diamond indicator for the sum of large exposures, the bank does not wish to have a sum of large exposures which exceeds 120% of its total capital. Excepted from this are exposures to the bank's subsidiary Alm. Brand Leasing and the other companies of the Alm. Brand Group.

All customers must be credit rated before being granted credit. The bank's credit rating of private customers seeking loans is based on a review of the customers' overall financial situation, including disposable amount, assets and level of debt. Secondarily, the bank uses credit scoring models.

The bank generally requires collateral from the customer in the form of mortgaging of the customer's assets.

Alm. Brand Bank's identification of risk concentrations in the credit portfolio serves as a credit risk management parameter. The bank's continued focus on private customers will reduce concentration risk both in relation to large exposures and property market exposures.

In the winding-up portfolio, loans are granted only for credit-defence purposes when this is deemed to minimise the bank's risk of loss.

Market risks

Market risk is the risk of fluctuations in the fair value of financial instruments as a result of changes in market prices. Alm. Brand Bank's market risks include interest rate risk, currency risk, equity risk and other price risks. The Board of Directors aims for the market risks assumed by the bank from time to time to be calculated and to reflect the bank's business strategy, risk profile and capital resources.

The bank regularly takes positions in the financial markets for the account of customers as well as for its own account. Active risk management is applied across the bank in order to balance out financial risks on assets and liabilities with the aim of achieving a satisfactory return that matches the bank's risk tolerance and applied capital. In its risk management, the bank uses derivative financial instruments to adjust the market risk.

At least once annually, the Board of Directors determines the acceptable risk level of each individual market risk in the market risk policy. Specific limits for the bank's market risk are provided in the guidelines for the Management Board in the market risk area.

Interest rate risk is calculated as the loss on interest rate exposure due to a one percentage point parallel shift in the yield curve.

The banking group's daily currency risk is calculated and managed on the basis of the greater of the sum of receivables and the sum of payables denominated in foreign currency translated into Danish kroner.

The bank's equity positions in the trading book consists of listed Nordic equities and unit trust certificates held with a view to supporting the bank's markets and asset management functions. The bank's portfolio of equities outside the trading book comprises equities taken over for credit-defence purposes. The portfolio also comprises sector equities intended to support the bank's operations.

The bank does not want to hold properties but has in recent years taken over single-family houses and rental property for credit-defence purposes. The exposure to properties is assessed to be limited relative to the bank's total assets.

The risk management function monitors the bank's market risks on a daily basis and reports to the Management Board and the Board of Directors on an ongoing basis. Any positions exceeding the Management Board's limits and powers are reported to the Board of Directors.

Liquidity

The banking group aims to ensure that liquidity is at all times sufficient to support its future operations and comply with the statutory requirements, including the indicators of the Danish Financial Supervisory Authority's supervisory diamond. The liquidity management is determined on the basis of a conservative risk profile.

Compliance with the bank's liquidity target is ensured through the internally defined limits for the composition of funding, including funding sources and their repayment structure as well as requirements for the size of the bank's liquidity reserve. The bank manages and monitors its liquidity on a day-to-day basis based on short-term and long-term liquidity requirements. The bank's Treasury department is responsible for the regular reporting on the bank's liquidity position.

At 31 December 2018, Alm. Brand Bank's LCR was 484.

The short-term liquidity management is intended to ensure that Alm. Brand Bank is at all times able to pay liabilities as they fall due and comply with the statutory requirements. This is ensured by means of fixed targets for the liquidity reserve and stress tests. Specifically, this is achieved by neutralising imminent liquidity effects, and liquidity is maintained within the limits defined by the Board of Directors, and by securing financial resources in the form of highly liquid securities, undrawn money market lines with major market players and a set-up for repo transactions.

The long-term liquidity management is intended to ensure that Alm. Brand Bank does not find itself in a situation where the cost of funding the bank's operations becomes disproportionately high. This is

NOTE 46 CAPITAL AND RISK MANAGEMENT – CONTINUED

achieved by stress testing and focusing on the strategic funding structure. The bank wishes to have a stable funding structure with deposits being the primary funding source.

OTHER RISKS FACING THE GROUP

Operational risk arises as a result of inexpedient or faulty internal procedures, human or system errors or as a result of external events, including legal risks. The group has a number of control procedures in the form of work routines, business procedures and reconciliation processes, performed locally and centrally throughout the organisation. The scope of control measures is assessed against the expenses they involve. Security measures are assessed relative to potential threats and their assessed probability of occurrence as well as the potential business consequences, should such threats materialise.

The group has completed a group-wide project to implement the General Data Protection Regulation (GDPR) with a particular focus on increasing employee and management awareness of the new requirements in order to support future compliance. Moreover, the group has initiated a number of common procedures to accommodate requests for access to and deletion of data etc. and to handle and report personal data breaches to the Danish Data Protection Agency. The group has also appointed a common data protection adviser, providing advice to the group and overseeing GDPR compliance.

Reputational risks are costs associated with having a poor public reputation, which affects the group's ability to maintain and develop its business volume. A reputation arises through media coverage of the group or incidents in relation to such coverage, for instance in news media and on social media. The group has drawn up media contingency plans to handle any incidents that could lead to unfavourable media coverage.

The group is continually making proactive efforts to reduce the number of potential events that could give rise to poor reputation. Moreover, the group is focused on reducing the number of complaints involving Alm. Brand Forsikring filed with the Insurance Complaints Board, and even though the insurance company has a track record of winning most of the complaints filed, every complaint is one too many because it means that the group has a dissatisfied customer. Alm. Brand Forsikring has a customer ambassador who reviews the complaints. The customer ambassador looks at a complaint from a customer point of view and is responsible for ensuring that the customers' views are heard. This is done to promote a good dialogue between Alm. Brand Forsikring and its customers. Often a disagreement arises because the customer has not been adequately informed about why his or her claim is not covered. The complaints are subsequently analysed, enabling the group to develop its insurance products and to become better at explaining its current insurance terms.

Strategic risks arise due to inexpedient business decisions, insufficient implementation of business initiatives or slow response to the challenges facing the group. Strategic risks cannot be avoided but they can be limited by maintaining high professional standards, openness and willingness to change in the organisation. Alm. Brand's strategy has been prepared by the group management on the basis of a structured process and in cooperation with each group subsidiary's Board of Directors, Management Board and managerial groups.

The group's risk profile and risk management are described in detail at almbrand.dk/risiko.

Notes

NOTE 47 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

The preparation of the financial statements involves the use of accounting estimates. Such estimates are made by the company's management in accordance with the accounting policies and on the basis of historical experience and assumptions, which management considers prudent and realistic but which are inherently uncertain and unpredictable.

The most significant estimates are related to the calculation of fair values of unlisted financial instruments and loans, advances and receivables and provision for losses on guarantees. In addition, significant estimates are applied in the valuation of mortgage deeds, liabilities under insurance contracts and the intangible asset related to customer relationships in Alm. Brand Bank.

This note should be read in conjunction with note 38, which contains information about the determination of fair value.

Financial instruments

Significant estimates are not used for the valuation of financial instruments where the valuation is based on prices quoted in an active market or on generally accepted valuation models employing observable market data.

Valuations of financial instruments that are only to a limited extent based on observable market data are subject to estimates. This applies for example to unlisted shares and certain bonds for which an active market does not exist. For securities that are not listed on a stock exchange, or for which no price is quoted that reflects the fair value of the instrument, the fair value is determined using a model calculation.

The valuation models include the discounting of the instrument cash flow using an appropriate market rate.

The valuation of unlisted shares is based on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties.

Valuation of mortgage deed portfolios
The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

Non-delinquent mortgage deeds are measured on the basis of the number of assumptions relating to required rate of return, expected credit losses and repayments – assumptions basically concerning what a mortgage deed could trade for between two independent parties. The model will revalue the mortgage deed if the mortgage deed coupon is higher than the discount rate. Such revaluation is sensitive to the model assumptions.

The repayment rates are updated on an ongoing basis to reflect the development in realised repayments.

Delinquent mortgage deeds are valued with due consideration for the risk of default and the loss incurred in the event of default. Any unsecured part is written down, and the amount depends, among other things, on how long the mortgage deed has been delinquent. However, the unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days. The unsecured part is calculated on the basis of the underlying property value. Either an external individual valuation or an internal valuation based on retrieved reference value of similar properties is used to measure the specific property value.

NON-LIFE INSURANCE

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions on a number of variables. The liabilities are furthermore affected by the discount rate.

The provisions for workers' compensation insurance are affected by several acts. The Danish Social Pensions Act was amended in December 2015, whereby the state retirement age was raised from 67 to 68 years for people born on or after 1 January 1963. The Act also imposes a duty on the Minister for Social Affairs in 2020 to reassess whether the retirement age should be raised further. In addition, the Danish government's so-called "2025 plan" contains proposals which, if the plan is implemented, will move forward further increases in the retirement age.

An expert committee has been set up to consider a revision of the Danish Act on Industrial Injuries, among other things prompted by the amended flex job rules. A process of revising the legislation is still ongoing with the involvement of e.g. the Danish Insurance Association (*Forsikring & Pension*). It is still uncertain which recommendations will be implemented in legislation, and the amount of claims expenses arising as a result of a potential revision of the act is therefore subject to uncertainty. Alm. Brand Forsikring reserves capital with due regard to all known and unknown factors which may impact the level of claims.

Alpha Insurance

The insurance company Alpha Insurance was declared bankrupt on 8 May 2018. The obligations vis-à-vis persons injured in connection with an industrial accident have been transferred to Arbejdsmarkedets Erhvervssikring (AES). Under workers' compensation legislation and as a result of the company's workers' compensation insurance portfolio, Alm. Brand Forsikring has an obligation to cover a market share-based proportion of the workers' compensation insurance claims which the AES is unable to recover from the estate in bankruptcy.

Alm. Brand has made a reserve based on an estimate of the company's share of the total expenses after dividend from the estate in bankruptcy. The ultimate net expense is affected by a number of factors, which are currently subject to great uncertainty. This applies, among other things, to the adequacy of Alpha's gross provisions for workers' compensation claims and the value of the assets on realisation. A significant part of the assets are receivables from Alpha's reinsurers, and the uncertainty in this respect concerns the value of the receivables and the distribution by the estate in bankruptcy of the receivables when realised. Moreover, there is uncertainty with respect to the total expenses for claims handling and for the winding up of the estate as well as to Alm. Brand's market share-based proportion of the expenses.

LIFE INSURANCE

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions about a number of variables. The liabilities are furthermore affected by the discount rate.

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative financial instruments to ensure that interest rate exposures on assets and liabilities are more or less aligned. Changes in the value of investment assets resulting from changes in interest rates are therefore partly offset by corresponding changes in the value of the technical provisions and the individual and collective bonus potentials. If, over time, the return generated is lower than the discount rate applied, the bonus potentials will be affected initially, and shareholders' equity may be affected subsequently.

Properties

In connection with the valuation of properties, a fair value is calculated on the basis of market-based rental income and operating expenses relative to the required rate of return of the individual properties. The valuation takes into account the type, location, state of repair, vacancy rate, etc. of the property.

BANKING

Loans, advances and other receivables at amortised cost

Impairment of financial assets and provisions for undrawn credit lines, loan commitments and guarantees are made in accordance with the accounting policies and on the basis of a number of assumptions.

Changes in these assumptions may affect the financial reporting, and any such effect may be significant.

In respect of individual impairment of loans, significant estimates have been applied in quantifying the risk that not all future payments will be received, based on the most likely scenario. If it can be determined that not all future payments will be received, the determination of the amount of the expected payments, including realisation values of any collateral and expected dividend payments from estates, involves significant estimates.

Adverse and unforeseen economic developments may affect the payment ability of individual customers. For instance, major interest rate changes, failure to let premises and changes in settlement prices for agricultural products may affect the customers' ability to pay and the value of the collateral security on which the calculation of the bank's collateral security is based. In particular, lending for activities within financing of real property and agriculture may be adversely affected.

In addition, changes are regularly made to the rules that form the basis of the calculation of the bank's impairment writedown and provisioning requirements. Changes that are subsequently introduced may trigger higher impairment writedowns and provisions, regardless of the fact that no events would seem to have occurred in relation to the customers' ability to pay or collateral that would warrant such higher impairment writedowns.

Alm. Brand Bank performs collective model calculations of impairment writedowns for customers for whom objective evidence of impairment (OEI) has not been identified. These calculations are based on a model setup developed and maintained in cooperation with Bankdata. The model is based on a classification of the customers into different rating categories and an assessment of the OEI risk attaching to the individual rating categories. The determination of the likelihood of OEI and LGD (loss given default), which are significant parameters in the model calculation, is subject to a certain amount of uncertainty and estimation. The calculation is supplemented by a forward-looking macroeconomic module developed and maintained by LOPI, the Association of Local Banks in Denmark. Adjustment of the way in which the model includes forward-looking information is also an expression of a model-based risk which may have an impact on the bank's total impairment writedowns. In some cases, it is necessary to supplement the modelled impairment writedowns with a management estimate. This will be done if it is assessed that the model does not adequately take into account events which are deemed to potentially impact the impairment level. The estimates applied are adjusted and reviewed on an ongoing basis.

Intangible assets

Intangible asset, customer relationships
Customer relationships have been measured on the basis of expected engagements with the customer relationships existing at the time of acquisition. Customer relationships have been measured on the basis of expected engagements with the customer relationships existing at the time of acquisition. Effects of expected cross-sales of insurance and pension products and any additional sales of banking products have not been included in the valuation.

Customer relationships are amortised on a straight-line basis over a period of seven years, starting from 1 April 2018.

SENSITIVITY INFORMATION

We take various types of calculated risk in support of the long-term business objectives. The most important business risks and financial risks are listed in the table below.

The individual risks are described in note 46 Capital and risk management on pages 128 to 135.

Sensitivity information

DKKm	Non-life Insurance	Banking*	Life Insurance*	Other	Total	% of shareholders' equity
Sensitivity information, group Risk on shareholders' equity in case of specific events						
Interest rate increase of 1 percentage point	-27	-46	-10	2	-81	-1.7
Interest rate fall of 1 percentage point	2	33	8	-2	41	0.9
Equity price fall of 15%	-29	-41	0	0	-70	-1.5
Fall in property prices of 15%	-3	0	0	0	-3	-0.1
Currency risk excl. EUR, 25% decline	0	-2	0	0	-2	0.0
Spread widening of 1 percentage point	-144	-95	-16	0	-255	-5.4
Catastrophe events:						
- one "100-year event"	-96	–	–	–	-96	-2.0
- two "100-year events"	-215	–	–	–	-215	-4.5

* Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to Life Insurance do not include risks related to securities owned by the policyholders.

GENERAL

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on Financial Reporting for insurance companies and multi-employer occupational pension funds. In addition, the consolidated financial statements have been presented in accordance with additional Danish disclosure requirements for listed financial enterprises.

Additional Danish disclosure requirements for annual financial statements are for the group set out in the Danish Statutory Order on Adoption of IFRS for financial enterprises issued pursuant to the Danish Financial Business Act and by NASDAQ Copenhagen A/S. For the parent company, the disclosure requirements are defined in the Danish Financial Business Act and by NASDAQ Copenhagen A/S.

The annual financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the group's activities and the functional currency of the parent company.

The accounting policies applied in the consolidated financial statements are described in the following. The accounting policies of the parent company are described as part of the parent company's financial statements.

Profit margin of Alm. Brand Liv og Pension

There is an ongoing dialogue between the industry and the Danish Financial Supervisory Authority about the profit margin calculation approach. The dialogue with the Danish Financial Supervisory Authority concerns the correlation between the company's profit margin and bonus potentials.

This is a significant area as the profit margin is included in total capital and thus affects the company's capital structure. As a result of Alm. Brand Liv og Pension's favourable buffer situation, these discussions have no impact on the size of the profit margin or the life insurance provisions. Accordingly, the choice of method has no effect on the financial statements, but only affects the relationship between the individual and collective bonus potentials. The financial statements, including the income statement, the solvency statement and the balance sheet, will thus give a true and fair view irrespective of the outcome of the dialogue with the Danish Financial Supervisory Authority.

Change in accounting policies

IFRS 9, Financial instruments has been implemented with effect from 1 January 2018. IFRS 9, Financial instruments replaces IAS 39 and changes the classification and related measurement of financial assets and liabilities. IFRS 9 introduces a new approach to financial assets based on the company's business model and the asset's underlying cash flows. Based on Alm. Brand A/S's business model and types of financial assets and liabilities, the implementation of IFRS 9 has only had an effect on impairment of financial assets measured at amortised cost (loans, advances guarantees).

With IFRS 9, the current impairment model based on incurred losses (the "incurred loss" model) will be replaced by an impairment model based on expected losses (the "expected loss" model). Under the new expected loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk since initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, while interest income is recognised in the income statement using the effective interest method relative to the impairment loss.

In accordance with transitional provisions of IFRS 9, Alm. Brand A/S has not implemented the revised impairment model

Change in accounting policies

DKKm	31/12/2017 Previous policies	Effect of change	01/01/2018 New policies
Assets			
Loans and advances at amortised cost	3,533	-72	3,461
Liabilities and equity			
Provisions for losses on undrawn credit limits	2	3	5
Provisions for losses on guarantees	5	4	9
Provisions for deferred tax (liability)	-	-17	-17
Shareholders' equity	4,936	-62	4,874

with retroactive effect as this has not been practically possible. Accordingly, the accumulated effect of the change was recognised in equity at 1 January 2018, and comparative figures have not been restated. The accounting effect is shown in the table on page 139. The total effect as at 1 January 2018 net of the tax effect was a DKK 62 million reduction of shareholders' equity.

STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the date of publication of these financial statements, a number of new or amended standards have not yet entered into force and/or been adopted for use in the EU and are therefore not included in these financial statements. Alm. Brand does not expect to implement the new accounting standards and interpretations until they become mandatory. Except for the ones set out below, none of the new standards or interpretations are expected to have a significant impact on the financial reporting of the group.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 takes effect as from 1 January 2019. For the lessee, all leases must in future be recognised in the balance sheet with a lease liability and a lease asset with two exemptions:

- Short-term leases (less than 12 months)
- Leases regarding low-value assets

For the lessor, the current rules remain largely unchanged. Accordingly, lessors still have to classify leases as operating leases or finance leases.

For the Alm. Brand A/S Group, a few existing leases have been identified that have to be recognised according to the new provisions. The implementation is assessed to only have a minor impact on the group's annual report.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17, Insurance contracts. IFRS 17 replaces IFRS 4, Insurance contracts. The new IFRS standard will have a significant impact on the measurement, presentation and information concerning insurance contracts. The date of commencement is expected to be postponed until 1 January 2022. The effects of the new standard will be analysed and assessed over the coming years.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company and subsidiaries in which the parent company holds the majority of the voting rights or otherwise holds a controlling interest. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

The consolidated financial statements have been prepared by consolidating items of a uniform nature in the income statements and balance sheets of each company. Intercompany income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

Properties owned by subsidiaries and used by the group are reclassified from investment property to owner-occupied property.

The financial statements of subsidiary undertakings that present annual reports under other jurisdictions have been restated to the accounting policies applied by the group.

In the preparation of the consolidated financial statements, accounting items of subsidiaries are fully recognised, regardless of the percentage of ownership. The proportionate shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as separate items in the income statement and the balance sheet.

Intra-group services are settled on market terms or on a cost recovery basis. Intra-group financial statements carry interest on market terms. Intra-group transactions in securities and other assets are settled at market prices.

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

General recognition and measurement policies

Assets are recognised in the balance sheet when, due to a previous event, it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when, due to a previous event, it is probable that future economic benefits will flow from the group and the value of the liability can be reliably measured.

Otherwise, assets and liabilities are recognised and measured as described for each individual item below.

NOTE 48 ACCOUNTING POLICIES – CONTINUED

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to the financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described in the accounting policies.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report and which confirm or invalidate conditions existing at the balance sheet date.

Financial instruments are measured at fair value on initial recognition at the settlement date. Changes to the value of the asset acquired or sold during the period from the transaction date to the settlement date are included as derivative financial instruments. If the acquired item is measured at cost or amortised cost after initial recognition, any value changes during the period from the transaction date to the settlement date are not recognised.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the term to maturity.

Financial assets and liabilities are classified on the basis of the business model and the contractual cash flows related to the financial assets and liabilities.

Financial assets are measured subsequent to initial recognition at amortised cost if they are held in order to collect the contractual cash flows and if the contractual cash flows are solely payments of interest and principal on the principal amount outstanding.

Financial assets are generally measured according to the time of initial recognition at fair value through other comprehensive income if the financial assets are held in a mixed business model in which some financial assets are held to collect the contractual cash flows and other financial assets are sold and if the contractual cash flows are solely payments of interest and principal on the principal amount outstanding. However, the relevant financial assets form part of a risk management system and an investment strategy based on fair values and on that basis form part of Alm. Brand's internal management reporting. Against this background, Alm. Brand assesses that the financial assets do not satisfy the criteria of a business model relating to the measurement categories amortised cost and fair value through other comprehensive income. The relevant financial assets are instead measured at fair value through profit or loss.

If financial assets do not satisfy the above-mentioned business model criteria or if the contractual cash flows are not solely payments of interest and principal on the principal amount outstanding, the financial assets will be measured subsequent to initial recognition at fair value through profit or loss.

Below is a description of the accounting policies applied to financial assets and liabilities as well as other items.

Foreign currency

Assets and liabilities denominated in foreign currency are recognised at the rates of exchange prevailing at the balance sheet date. Income and expenses denominated in foreign currency are recognised at the rates of exchange ruling at the transaction date. Exchange gains and losses are recognised in the income statement.

Tax

All companies in the group are jointly taxed.

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

Current tax assets and liabilities are recognised in the balance sheet at the amount that can be calculated on the basis of the expected taxable income for the year adjusted for prior years' tax losses carried forward.

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax regulations and tax rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax.

NOTE 48 ACCOUNTING POLICIES – CONTINUED

Deferred tax assets, including the tax base of tax losses carried forward, are measured at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

INCOME STATEMENT

Premium income

Gross premiums comprise premiums due relating to insurance and contracts.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions, profit margin and the part of the risk margin attributable to unearned premium provisions, and less reinsurers' share. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to the bond maturity effect is transferred to interest expenses, etc. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to a change in the discount rate applied after inflation is transferred to market value adjustments.

Premiums relating to life insurance comprise premiums due during the year and single premiums less labour market contribution.

Interest income, etc.

Interest income and dividends, etc. includes dividends received and interest earned during the financial year.

The item also includes interest-like fees and commissions that are an integral part of the effective rate of interest on financial assets measured at amortised cost. Finally, the item recognises the part of the change in unearned premium provisions and outstanding claims provisions that can be ascribed to discounting.

Fee income, etc.

Fees, etc. are accrued over the lifetime of the transactions and recognised in the income statement at the amounts relating to the accounting period.

Other income from investment activities

The item includes the operating profit on investment property after deduction of related administrative expenses.

Other income

Other income primarily comprises lease income from assets held under operating leases. In addition, badwill in connection with the acquisition of the activities of Saxo Privatbank A/S was recognised in 2018. Moreover, this item includes income derived from activities that cannot be attributed to the group's principal activities.

Claims expenses

Claims expenses include claims paid during the insurance year adjusted for movements in claims provisions corresponding to known and anticipated claims relating to the year. Also included is any change in the part of the risk margin attributable to claims provisions.

Amounts to cover expenses for surveying and assessment and other direct or indirect staff administration costs, etc. associated with claims handling are included in the item. In addition, the item includes run-off results regarding previous years.

The group's indirect costs relating to the handling of claims are distributed between claims expenses and administrative expenses using allocation keys based on estimated resource application.

The part of the change in outstanding claims provisions and risk margin which can be attributed to discounting is transferred to interest expenses, etc. The part of the change in outstanding claims provisions and risk margin which can be attributed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Alm. Brand Forsikring A/S has entered into swap agreements to partially hedge provisions for workers' compensation against changes in the future wage index, assuming continued stable growth in the real value of claims paid. The value adjustment of these swaps is included in claims incurred.

Claims and benefits relating to life insurance comprise benefits due during the year, amounts paid for repurchases and bonus amounts paid in cash.

Other expenses from investment activities

The item includes amounts associated with the management of investment assets. Brokerage and commission relating to the purchase and sale of securities is recognised under market value adjustments.

Impairment of loans, advances and receivables, etc.

Impairment of loans, advances and receivables comprises impairment of loans, advances and receivables on which there is an objective evidence of impairment and provisions for guarantees. The item also includes value adjustment of assets temporarily acquired in connection with closing commitments.

Acquisition costs and administrative expenses

The part of the insurance operation expenses that can be ascribed to acquisition and renewal of the insurance portfolio is recognised under acquisition costs. Acquisition costs are generally charged to the income statement when the insurance takes effect.

Administrative expenses comprise expenses related to managing the company's activities. Administrative expenses are accrued to match the financial year.

Operating expenses relating to owner-occupied properties are recognised in the consolidated income statement under administrative expenses. Rent concerning the company's owner-occupied properties is not recognised in the consolidated income statement, but the expense is included in the individual segment financial statements.

Other expenses

Expenses associated with activities that cannot be ascribed to the company's principal activities are recognised under other expenses.

Result of ceded business

For reinsurance contracts containing a combination of financial terms and traditional terms with transfer of risk, the risk premium is recognised on an accruals basis under premium income. The accrual is based on the value of the contracts at the end of the year. Realised losses relating to these contracts are included in claims after adjustment for movements in financial deposits.

Reinsurance premiums ceded and reinsurers' share received are accrued and recognised in the income statement according to the same principles as those applied for the corresponding items under the gross business.

Changes in ceded business attributable to discounting are transferred to interest expenses, etc., while changes attributable to changes in the discount rate applied are transferred to value adjustments.

Value adjustments

Value adjustments include all realised and unrealised gains and losses on investment assets, except for value adjustment of subsidiary and associated undertakings and revaluations of owner-occupied properties. The item also includes the discounting effect of insurance contracts.

Tax on pension returns

Tax on pension returns includes the tax levied on returns relating to the group's life insurance activities, notwithstanding whether the tax is payable now or at a later date.

BALANCE SHEET

Intangible assets

Customer relationships

Customer relationships calculated and capitalised in connection with the acquisition of the majority of Saxo Privatbank A/S's activities are amortised over a period of seven years. Customer relationships have been measured on the basis of expected customer relationship engagements existing at the time of acquisition.

Software

Software is measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Software is amortised on a straight-line basis over an expected useful life not exceeding five years.

In determining cost, all costs directly attributable to the development of the software and that will probably generate economic benefits for the group are recognised. All other costs are expensed as incurred. Amortisation and impairment are recognised as administrative expenses.

Land and buildings

Land and buildings owned by the group are classified as either investment properties or owner-occupied properties. Owner-occupied properties comprise properties which Alm. Brand generally uses for administrative purposes. Other properties are classified as investment properties.

The fair value of land and buildings is assessed on an annual basis. An external appraiser may be engaged where necessary.

Investment properties

Investment properties are measured at a fair value calculated in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The fair value is calculated on the basis of the yield method, which involves a valuation of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Adjustments of the value of investment properties are recognised in the income statement in the financial year when the change occurred.

Owner-occupied properties
Owner-occupied properties are measured at a revalued amount corresponding to the fair value at the revaluation date less accumulated depreciation and value adjustments. The fair value is calculated on the basis of the Danish Financial Supervisory Authority's guidelines on the yield method, which involves the measurement of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful life of the properties, which is estimated to be 60 years. Depreciation is calculated with due consideration to the expected residual value and is recognised in the income statement under administrative expenses.

Revaluations with the addition or deduction of the tax effect, including properties classified as owner-occupied properties, are made through other comprehensive income and tied in revaluation reserves. If a revaluation can no longer be maintained, it is reversed. Writedowns that do not offset previous revaluations are made in the income statement.

The part of the revaluations that can be attributed to insurance contracts with bonus entitlement is subsequently transferred to collective bonus potential in accordance with the contribution rules filed.

The yield method
The operating budget recognises rental income from full letting, as any rent for vacant premises or other lack of rental income is offset against the estimated value. Accordingly, the operating budget recognises normal maintenance of the property. Any major anticipated renovation work, restoration work or repair is offset against the estimated value.

The rate of return is determined based on current market conditions for the type of property taking into account the state of repair, location, use, leases, etc.

Reinsurers' share from insurance contracts
The reinsurers' share of the technical provisions is calculated as the amounts expected to be received from reinsurance companies under the applicable reinsurance contracts.

The group regularly assesses its reinsurance assets for impairment. If there is a clear indication of impairment, the carrying amount of the asset is written down.

Other assets
Other assets comprise various receivables and prepayments. The item also comprises positive fair value of spot transactions and derivative financial instruments, operating equipment and assets taken over temporarily.

Forward transactions, futures, swaps, options and unsettled spot transactions are measured at fair value on initial and subsequent recognition. Positive and negative fair values of derivatives are recognised as Other assets or Other liabilities, respectively. Changes in the fair value of derivatives are recognised in the income statement.

The loss option issued by Alm. Brand Bank A/S to cover credit losses on mortgage deeds in Alm. Brand Forsikring A/S is measured using the credit model, which is also used for the measurement of the bank's other delinquent mortgage deeds.

Assets held temporarily comprises properties and cars only temporarily in the group's possession and awaiting sale within 12 months and where a sale is very probable. The item is measured at the lower of the carrying amount and the fair value less expected costs to sell.

Prepayments comprises expenses incurred prior to the balance sheet date but which relate to a subsequent accounting period.

Furniture and equipment, computers, cars, etc.
Operating equipment is measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the estimated useful life of the assets taking into account

the expected residual value. The expected useful lives are assessed to be:

Cars	5 years
Furniture and equipment	3-5 years
IT equipment	3-5 years

Cost comprises acquisition cost and directly attributable costs.

Leasehold improvements are capitalised and amortised over their estimated useful lives, up to five years, taking into account the expected residual value.

Investment assets

Investment assets comprise financial assets measured at fair value. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

Investment assets are measured at fair value on initial and subsequent recognition. The determination of fair value and the classification of value adjustments of financial instruments in the financial statements depend on whether the fair value can be reliably measured. Generally, the group's financial instruments form part of the trading book, however, not unlisted shares and parts of the portfolio of mortgage deeds designated at fair value

Listed financial assets are measured at fair value based on the closing price at the balance sheet date, or, in the absence of a closing price, another public price deemed to be most similar thereto.

Bonds at amortised cost comprise listed bonds intended to be held to maturity and to generate the contractual payments over the period. Bonds at amortised cost are measured at fair value plus transaction costs on initial recognition. The bonds are subsequently measured at amortised cost.

For the majority of the unlisted shares, it is assessed that the fair values can be measured sufficiently reliably using recognised valuation methods. These assets are on this basis measured at fair value, and value adjustments are taken to the income statement. For unlisted assets that are managed by external fund managers, these calculate an estimated market value based on the estimated present value of expected future cash flows.

The measurement of financial instruments at fair value is consistent with the group's internal risk management, which is based on market exposure of assets and liabilities subject to risk.

Financial assets are recognised or derecognised at the settlement date.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through income are included in the income statement in the period in which they arise.

Securities sold under agreements to repurchase at a later date (repo transactions) remain in the balance sheet. Amounts received are included as amounts owed to the purchaser and are subject to interest at the agreed rate. Measurement of securities is unchanged, and both value adjustments and interest etc. are recognised in the income statement. Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

Derivative financial instruments

Derivatives are measured at fair value on initial recognition. Subsequently, derivatives are measured at fair value at the balance sheet date. Changes in fair value are recognised in the income statement as financial income or expenses.

Loans, advances and receivables, including mortgage deeds

Mortgage deeds are measured at fair value on initial and subsequent recognition. The calculation of the fair value of mortgage deeds is based on both a credit model and a market value model including parameters such as expected prepayments, loss rates and interest rate level. The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates.

The market value model is used for the valuation of mortgage deeds not in default. The model builds on a number of assumptions for required rate of return, expected credit losses and repayments. The model revalues the mortgage deed at a value above the nominal amount of the residual debt if the mortgage deed coupon is higher than the discount rate less expected credit losses.

Mortgage deeds that meet certain default criteria, including delinquency, death of the debtor and forced sale, are valued on the basis of the credit model. Any unsecured part is written down when the default criterion materialises. However, in the event of delinquency, the impairment writedown will be made over a period of time, always provided that any unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days.

Other loans and advances and other receivables are measured at amortised cost. On initial recognition, the portfolio is measured at fair value plus transaction costs less fees and commissions received that are directly related to the acquisition or issue of the financial instrument. On subsequent recognition, such loans, advances and other receivables will be adjusted to amortised cost on a current basis using the effective interest method.

Impairment writedowns
For Loans, advances and other receivables at amortised cost, an impairment model based on the expected loss (the expected loss model) is used. Under the expected loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk since initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, but interest income is recognised in the income statement using the effective interest method relative to the impairment loss.

Loss allowances on stage 1 and 2 customers/facilities, except for the weak part of stage 2, are recognised on the basis of a collective model, whereas loss allowances for weak stage 2 customers/facilities and stage 3 customers/facilities are recognised on the basis of a manual, individual assessment.

The expected loss is calculated as a function of PD (probability of default) calculated as the probability of OEI (objective evidence of impairment), EAD (exposure at default) and LGD (loss given default) and incorporating forward-looking information that represents management's expectations of future developments.

The placing into stages and calculation of the expected loss are based on Alm. Brand Bank's rating models and internal credit management. The bank applies a rating scale of 1 to 10, with 10 representing customers exhibiting objective evidence of impairment (OEI). The bank applies criteria for switching between stages that correspond to switches between the Danish Financial Supervisory Authority's rating categories, but adjusted to reflect the bank's internal credit management. The bank's rating scale may be traced to the Danish Financial Supervisory Authority's rating categories as follows: rating 1-5 => 2a, rating 6-8 => 2b, rating 9=> 2c and rating 10 => 1.

Accordingly, the assessment of the change in credit risk assumes a significant increase in credit risk relative to the time of initial recognition in the following situations:

- An increase from rating 1-3 to rating 5 (increase within 2a)
- An increase from rating 1-4 to rating 6 (increase from 2a to 2b)
- An increase from rating 1-5 to rating 7 (increase from 2a to 2b)
- An increase from rating 1-6 to rating 8 (increase within 2b)
- All customers with rating 9 correspond to customers exhibiting significant signs of weakness (2c)
- Overdrafts or arrears in respect of a customer's financial assets for a period of more than 30 consecutive days calculated at the balance sheet date.

However, if the credit risk of the financial asset is considered to be low at the balance sheet date, the asset will remain at stage 1, characterised by no significant increase in credit risk. Alm. Brand Bank assesses credit risk to be low when Alm. Brand Bank's internal rating of the customer is 1-4.

In addition to loans, advances and receivables satisfying the rating criterion, the category of assets with low credit risk comprises receivables from Danish credit institutions and Danish government bonds and mortgage bonds.

An exposure is defined as being impaired (stage 3) and in default if it satisfies at least one of the following criteria:

- Alm. Brand Bank assesses that the borrower will not be able to honour his or her obligations as agreed.
- The borrower is in significant financial difficulty; the borrower has committed a breach of contract; Alm. Brand Bank has granted the borrower concessions due to the borrower's financial difficulties; or it is likely that the borrower will become insolvent or become subject to other forms of financial reconstruction.
- The exposure has been in arrears/overdraft for more than 90 days by an amount considered to be substantial.

Notes

NOTE 48 ACCOUNTING POLICIES – CONTINUED

However, financial assets where the customer is experiencing significant financial difficulty or where the bank has granted concessions due to the customers financial difficulties are maintained in stage 2 if no loss is expected in the most likely scenario.

The definition of impairment and default applied by Alm. Brand Bank in the measurement of the expected credit loss and on transition to stage 3 is in accordance with the definition applied for internal risk management purposes, and the definition is also aligned with the definition of default in the Capital Requirements Regulation (CRR). This implies that an exposure which is deemed to be in default for regulatory purposes will always be placed in stage 3.

The calculation of impairment losses on exposures in stages 1 and 2, except for exposures for which there is objective evidence of impairment in stage 2, is made on the basis of a collective model, whereas the calculation of impairment losses on the remaining part of the exposures is made by means of a manual, individual assessment based on three scenarios (base scenario, a more positive scenario and a more negative scenario) including the likelihood of the scenarios occurring.

All impairment writedowns on loans and advances, undrawn credit lines, loan commitments and guarantees are considered to be individual impairment writedowns, and Alm. Brand Bank has ceased under the IFRS 9-compatible impairment rules to recognise collective impairment writedowns for such financial assets. Alm. Brand Bank considers the credit risk for Danish government bonds and mortgage bonds to be low (see above), and a management estimate is made for this category of financial assets. Moreover, a management estimate is made in situations where it is assessed that the expected loss model will not suffice.

The collective model calculation is made on the basis of a model that builds on Alm. Brand Bank's classification of customers into rating categories and an assessment of the risk attaching to the individual rating categories. The calculation is made in a setup which is developed and maintained in cooperation with Bankdata, supplemented be a forward-looking macroeconomic module developed and maintained by LOPI, the Association of Local Banks in Denmark, and which forms the basis of the incorporation of management's expectations for the future.

The macroeconomic module consists of a number of regression models that establish the historical correlation between impairment for the year in a number of sectors and industries and a number of explanatory macroeconomic variables. The regression models then calculate estimates of the macroeconomic variables based on forecasts from consistent sources, such as the Danish Economic Council, the Danish central bank and others, providing forecasts that generally look two years ahead and comprise variables such as increases in public spending, increases in GDP, interest rates, etc. That allows for the calculation of anticipated impairment in individual sectors and industries up to two years ahead. For maturities beyond two years and until year ten, a projection of the impairment ratio is made so that it converges with a normal level in year ten. Maturities beyond ten years are assigned the same impairment ratio as in year ten. The forward-looking macroeconomic module generates a number of adjustment factors, which are multiplied on the bank's estimates, thereby adjusting these estimates relative to the base scenario.

Financial assets measured at amortised cost are removed wholly or partly from the balance sheet if Alm. Brand Bank no longer has reasonable expectations of full or partial recovery of the outstanding amount. At the same time, the impairment writedown is derecognised from the statement of accumulated impairment writedowns on the basis of a specific, individual assessment of the individual exposures. For commercial customers, the assessment is based on the customer's liquidity, earnings and shareholders' equity and the collateral security provided for the exposure. For private customers, the assessment is based on the customer's liquidity, income and capital position as well as any collateral security provided for the exposure.

Alm. Brand Bank continues its collection efforts after the assets have been removed from the balance sheet, the measures taken depending on the specific situation. Alm. Brand Bank generally seeks to enter into a voluntary agreement with the customer, including renegotiation of terms or reconstruction of a business, so that debt collection or petition for bankruptcy is first brought into play when all other measures have been exhausted.

Balances due from credit institutions

Balances due from credit institutions are measured at fair value on initial recognition and subsequently at amortised cost and comprise all receivables from credit institutions and central banks, including receivables in connection with genuine purchase and resale transactions.

Cash in hand and balances at call
Cash in hand and balances at call are measured at fair value on initial recognition and subsequently at amortised cost.

Contingency funds
The contingency funds can only be used for the benefit of policyholders. Contingency fund 2 is moreover subject to the restriction that it can only be used when permission has been obtained from the Danish Financial Supervisory Authority.

Deferred tax has been provided on the group's contingency funds.

Dividends
Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item in the notes relating to shareholders' equity.

Treasury shares
Purchases and sales of treasury shares are recognised as a change in shareholders' equity under Other reserves.

Share options
The share options are settled by means of treasury shares. When the options are exercised, the strike price received is taken to equity.

Subordinated debt
Subordinated debt comprises liabilities which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims have been honoured. Subordinated debt is recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost using the effective interest method.

Provisions for insurance contracts
All provisions are measured at their discounted value using a maturity-dependent discount rate including volatility adjustment for the duration in question. Alm. Brand uses a yield curve developed in-house according to the same principles and on the basis of data identical to the ones on which EIOPA's published discount rates is based.

Unearned premium provisions
Unearned premium provisions comprise the amounts provided at the end of the year against claims not yet incurred in respect of insurance contracts entered into. The provisions are measured as the present value of the best estimate of future claims at the balance sheet date for the part of the risk period not yet run off, including all direct and indirect administrative and claims-handling expenses. The premium provisions comprise all insurance contracts entered into and take into account all agreed premium rates, irrespective of whether they have fallen due for payment before the time of calculation. Newly written insurance contracts are recognised when an agreement has been concluded, whereas renewed insurance contracts are recognised when there is one month or less until the renewed contract enters into force.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the present value of the company's liabilities in respect of health and personal accident policies and the present value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk and costs incurred in managing insurance and claims handling. The market value expectations include a risk margin in accordance with the Solvency II principles. The insurance period for health and personal accident insurances is calculated until the next renewal date of the insurance. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected.

The provisions are calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated based on the company's historical claims ratios on mortality and disability, respectively, and costs relative to the assumptions in the calculation basis for new contracts. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

Profit margin
Profit margin is the expected future earnings for the risk periods not yet run off for the insurance contracts which the company has entered into at the end of the year. The profit margin is measured as the present value of the accrued profit on profit-making contracts. The profit margin cannot be negative.

Measurement of the profit margin comprises all insurance contracts entered into. Newly written insurance contracts in Alm. Brand Forsikring's portfolio will be recognised when an agreement has been concluded, whereas renewed insurance contracts are recognised when there is one month or less until the renewed contract enters into force. Both newly written insurance contracts and renewed insurance contracts in the Health and Personal Accident Insurance portfolio of Alm. Brand Liv og Pension are recognised as from the beginning of the risk period.

Risk margin
The risk margin comprises the amount which the company in a hypothetical situation is expected to have to pay to a third party to take over the risk that the realised future costs deviate from the estimated level stated under unearned premium and claims provisions at the end of the accounting period.

The risk margin is measured as the present value of the future cost of capital related to maintaining the solvency capital required for settlement of the company's current liabilities and risks.

The measurement is based on the company's solvency capital requirement and is consistent with the Solvency II principles, as the future solvency capital requirements are approximated by the current solvency capital requirement written down proportionally by the remaining share of the expected cash flow for the unearned premium and claims provisions. The calculation of the cost of capital is based on the Cost-of-Capital rate of 6% under Solvency II. The risk margin development tracks the development in the company's solvency capital requirement.

Life insurance provisions
Life insurance provisions are measured at market value based on an expected cash flow discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA. The market value expectations include a risk margin in accordance with the Solvency II principles. The risk margin is a type of security, meaning that taking over the portfolio from a third party represents a value. A profit margin is also calculated, which represents the value of the future profit which the company is expected to be able to recognise as income from its life insurance and pension business. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

The expected future insurance benefits are estimated based on projections of mortality, disability, surrender of insurance policies and cessation of premiums (paid-up policies). These are estimated based on the company's historical claims ratios on mortality and disability, respectively, and actual costs relative to the assumptions in the calculation basis for new contracts and actual surrenders and premium cessations.

Life insurance provisions are divided into provisions for guaranteed benefits, individual bonus potential and collective bonus potential. Life insurance provisions are calculated at market value, based on individual calculations for each policy. Also, bonuses earned but not yet added to the individual policies are added to the provisions. For amounts exempt from tax on pension returns, a discount rate without deduction of tax on pension returns is used.

The provisions are generally calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated on the basis of an empirical analysis of the company's insurance portfolio.

Provisions for the guaranteed benefits comprise obligations to pay benefits guaranteed to the policyholder. Provisions for guaranteed benefits are calculated as the difference between the present value of the benefits guaranteed by the insurance policy and the present value of the expected future insurance administration costs less the present value of the agreed future premiums. The provision includes an estimated amount in cover of future benefits resulting from already incurred claims and an estimated amount for claims incurred but not reported.

The individual bonus potential comprises obligations to pay a bonus in relation to both expected not yet due premiums and premiums already due. The bonus potential is calculated as the value of policyholders' savings less provisions for guaranteed benefits, including expectations in relation to surrenders and paid-up policies. Whether the bonus potential is to be strengthened is determined individually for each policy.

Outstanding claims provisions
Outstanding claims provisions comprise the amounts provided at the end of the year against claims reported but not settled and against payment of claims incurred but not reported. The provisions are measured as the present value of the best estimate of these claims expenses at the balance sheet date. They are generally determined using statistical methods based on the aggregate historical development in payments and case reserves. The statistical methods are supplemented by best estimates of claims processors and claims assessors in the event of major claims. For workers' compensation, a separate model has been introduced which is mainly based on rulings and case officer assessments of individual claims. Moreover, provisions are made to cover expected delayed reporting of claims incurred and expected future reopening of claims. In addition to the statistical methods, an assessment is included of other factors affecting the necessary level of outstanding claims provisions, such as changes in legal practice, internal processes, inflation and singular, extreme claims.

The outstanding claims provisions also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to settling the claims obligations. The estimate of the provision is based on the direct and indirect costs incurred during a normal claims year on the establishment of new claims and the processing and settlement of old claims. Included in the calculations is the ratio of claims paid and the outstanding claims provisions at year end, including claims incurred but not reported.

The cash flow regarding payment of provisions is estimated for all lines and discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA.

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provisioning models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation is calculated explicitly and consists of an inflation element and a real wage element.

Several assumptions and estimates underlying the calculation of the provisions for claims are mutually dependent. However, the most important interdependence is that between the assumption regarding inflation and interest rates, although the effect of changes in the inflation rate assumption will not affect the calculation of the outstanding claims provisions as effectively as changes to the discount rate.

Provisions for claims relating to health and personal accident insurance are calculated at the present value of expected future payments. The outstanding claims provisions regarding health and personal accident insurance also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to settling the claims obligations. For reported claims, an individual assessment is made of the date of payment. The costs are estimated on the basis of the average duration of established claims payments and an assessment of the annual costs incurred in handling claims.

The provisions for current disablement benefits are determined individually, and an assessment of the duration of the benefits is made for each policy. The provision calculated is increased by a risk margin in accordance with the Solvency II principles.

Liability adequacy test
The outstanding claims provisions are calculated according to actuarial methods and with a view to avoiding run-off losses as well as run-off gains. At the calculation date, the provisions thus represent the best estimate of future claims for the current and previous claims years. The outstanding claims provisions are calculated on a monthly basis, and the level is therefore assessed to be adequate at all times.

The provision will be discounted if such discounting has a material impact on the size of the liability.

Long-term employee obligations
Provisions for pensions and similar obligations comprise jubilee benefits etc. to employees, notwithstanding that the future benefit is subject to the individual being employed by the company at the

time of payment of the benefit. The value of the future benefits is recognised as the present value of the benefits expected to be paid based on a best estimate.

Current costs in respect of pensions etc. for the group's employees are treated as defined contribution plans. For defined contribution plans, the group pays fixed contributions and has no obligation to pay any further contributions. The obligations are fully funded.

Other financial liabilities

On initial recognition, other financial liabilities are measured at fair value less transaction costs. The liabilities are subsequently measured at amortised cost.

Deposits with ceding companies comprise amounts received which are kept to cover the insurance liabilities of other insurance companies towards the group's reinsurance companies.

Deposits for financial reinsurance comprise premiums received less deductions for claims paid equivalent to the company's liabilities pursuant to contracts made.

Deposits

Deposits are recognised at amortised cost and comprise all deposits, including obligations in connection with genuine sale and repurchase transactions with counterparties which are not credit institutions or central banks and customers' receivable margins in connection with futures and option transactions if the customer is not a credit institution.

Payables to credit institutions and central banks

Payables to credit institutions and central banks are measured at amortised cost and comprise, among other things, obligations in connection with genuine sale and repurchase transactions with counterparties which are credit institutions or central banks and receivable margins in connection with futures and option transactions if the customer is a credit institution.

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 rental income, 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. In addition, non-recurring income was included in 2018 from the recognition of customer relationships and integration costs in connection with the acquisition of the activities from Saxo Privatbank.

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 own portfolio of bonds, sector equities and shares taken over for credit-defence purposes. 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.

CASH FLOW STATEMENT

The cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities include the items of the income statement adjusted for operating items of a non-cash nature. Realised gains and losses on the sale of tangible assets or investment assets are included in cash flows from investing activities.

Cash flows from investing activities include changes in intra-group accounts and net additions of investment assets, including realised gains and losses on the sale of such assets.

Cash flows from financing activities include financing from shareholders as well as by raising of short-term and long-term loans.

Cash and cash equivalents comprise cash and demand deposits.

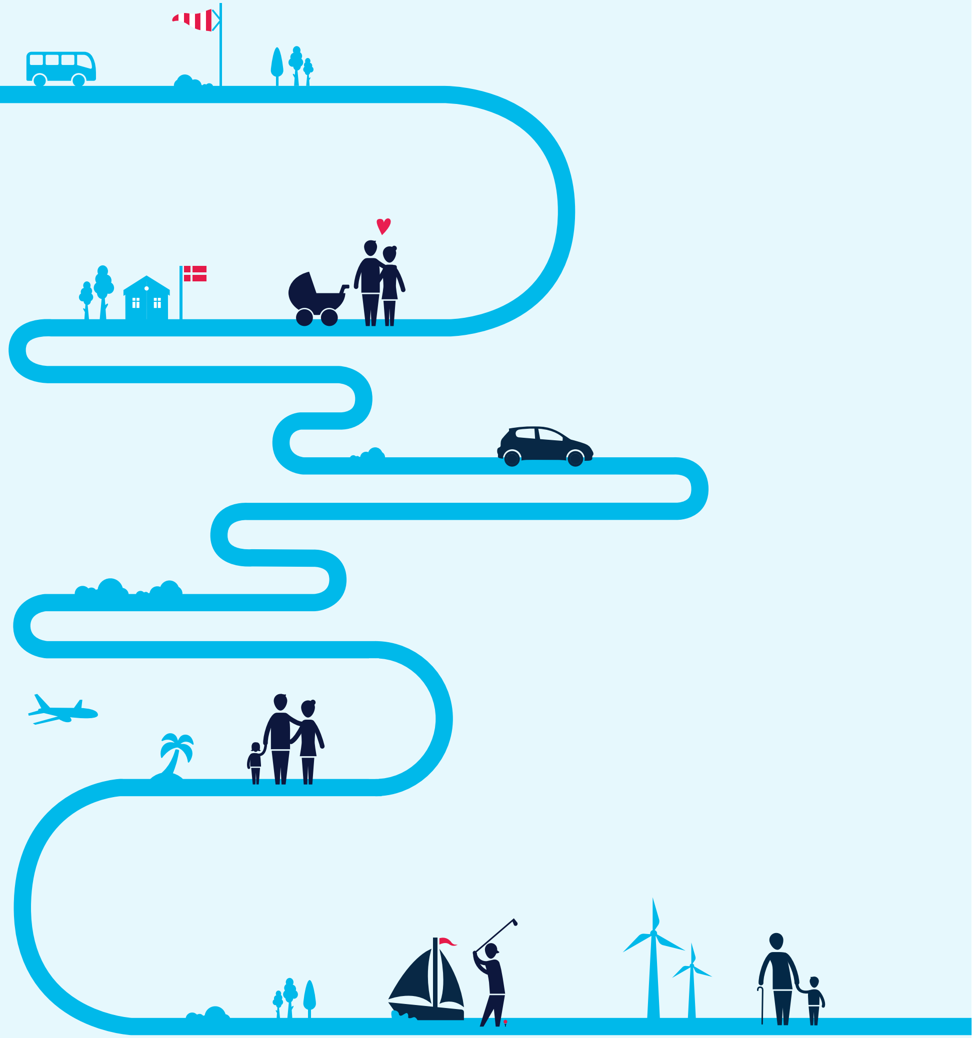
DISCLAIMER

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 annual 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.

Financial statements
Parent company



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Income and comprehensive income statement

		Parent company	
DKKm	Note	2018	2017
Income statement			
Income from group enterprises	1	614	852
Interest income and dividends, etc.	2	4	7
Interest expenses	3	-12	-12
Value adjustments	4	-1	-5
Administrative expenses related to investment activities	5	-50	-44
Total return on investments		**555**	**798**
Profit/loss before tax		555	798
Tax	6	14	13
Profit/loss for the year		**569**	**811**
Proposed allocation of profit/loss for the year:			
Proposed dividend		470	480
Retained earnings		99	331
Profit/loss for the year		**569**	**811**
Comprehensive income			
Profit/loss for the year		569	811
Total comprehensive income		**569**	**811**
Proposed allocation:			
Proposed dividend		470	480
Retained earnings		99	331
Total comprehensive income		**569**	**811**

Balance sheet as at 31 December

DKKm	Note	2018	2017
Assets			
Investment in group enterprises	7	5,017	4,865
Total investments in group enterprises		**5,017**	**4,865**
Equity investments		1	1
Bonds		0	288
Other loans and advances		2	2
Cash in hand and balances at call	8	1	17
Total other financial investment assets		**4**	**308**
Total investment assets		**5,021**	**5,173**
Other receivables	9	55	53
Total receivables		**55**	**53**
Current tax assets	10	16	19
Total other assets		**16**	**19**
Interest receivable	11	0	2
Miscellaneous prepayments		3	0
Total prepayments and accrued income		**3**	**2**
Total assets		**5,095**	**5,247**

		Parent company	
DKKm	**Note**	**2018**	**2017**
Liabilities and equity			
Share capital		1,610	1,655
Other provisions		1,215	1,214
Proposed dividend		470	480
Retained earnings		1,453	1,587
Total shareholders' equity	12	**4,748**	**4,936**
Subordinated debt		250	250
Total subordinated debt	13	**250**	**250**
Deferred tax liabilities	14	38	36
Total provisions		**38**	**36**
Payables to credit institutions		41	20
Payables to group enterprises		18	5
Total payables		**59**	**25**
Total liabilities and equity		**5,095**	**5,247**
Contingent liabilities, guarantees and lease agreements	15		
Staff costs	16		
Auditors' fees	17		
Related parties	18		
Accounting policies	19		

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Share-holders' equity
Shareholders' equity at 1 January 2017	**1,735**	**1,215**	**1,419**	**831**	**5,200**
Changes in shareholders' equity 2017:					
Profit/loss for the year			811		811
Comprehensive income			811		811
Proposed dividend			-480	480	0
Dividende distributed			18	-831	-813
Share option scheme, issuance			0		0
Share option scheme, exercise			25		25
Purchase and sale of treasury shares			-287		-287
Tax on changes recognised in equity			0		0
Changes in shareholders' equity	**-80**	**0**	**167**	**-351**	**-264**
Shareholders' equity at 31 December 2017	**1,655**	**1,215**	**1,586**	**480**	**4,936**
Shareholders' equity at 1 January 2018	**1,655**	**1,215**	**1,586**	**480**	**4,936**
Change in accounting policies			-62	0	-62
Adjusted shareholders’ equity at 1 January 2018	**1,655**	**1,215**	**1,524**	**480**	**4,874**
Changes in shareholders' equity 2018:					
Profit/loss for the year			569		569
Revaluation of owner-occupied properties in subsidiaries			0		0
Tax on changes recognised in equity			0		0
Comprehensive income			569		569
Cancellation of treasury shares	-45		45		0
Proposed dividend			-470	470	0
Dividende distributed			3	-480	-477
Share option scheme, exercise			28		28
Purchase and sale of treasury shares			-246		-246
Changes in shareholders' equity	**-45**	**0**	**-71**	**-10**	**-126**
Shareholders' equity at 31 December 2018	**1,610**	**1,215**	**1,453**	**470**	**4,748**

Notes

DKKm	2018	2017
Note 1 Income from group enterprises		
Alm. Brand Bank A/S	22	54
Alm. Brand Forsikring A/S	592	798
Total income from group enterprises	**614**	**852**
The results are recognised in the following items:		
Income from group enterprises	614	852
Total income from group enterprises	614	**852**
Note 2 Interest income and dividends, etc.		
Bonds	1	5
Interest Alm. Brand Bank	3	2
Total interest income and dividends, etc.	**4**	**7**
Note 3 Interest expenses		
Interest expenses, group enterprises	-12	-12
Total interest expenses	**-12**	**-12**
Note 4 Value adjustments		
Bonds	-1	-5
Total value adjustments	**-1**	**-5**
Note 5 to investment activities		
Cost, group enterprises	-2	-1
Other costs	-48	-43
Total administrative expenses related to investment activities	**-50**	**-44**

DKKm	2018	2017
Note 6 Tax		
Estimated tax on profit/loss for the year	16	19
Adjustment of deferred tax	-2	-6
Total tax	**14**	**13**
Tax for the year consists of:		
Tax on accounting profit	13	13
Ej fradragsberettigede udgifter og ej skattepligtige indtægter	1	0
Total tax	14	13
Effective tax rate	2.5%	1.6%
Note 7 Investment in group enterprises		
Cost, beginning of year	8,491	8,491
Additions during the year	450	0
Cost, year-end	8,941	8,491
Revaluation and impairment, beginning of year	-3,626	-3,535
Change in accounting policies	-62	0
Dividend received	-850	-940
Profit/loss for the year	614	852
Revaluation and impairment of treasury shares in subsidiaries	0	-3
Revaluation and impairment, year-end	-3,924	-3,626
Investment in group enterprises, year-end	**5,017**	**4,865**

Notes

DKKm	2018	2017
Note 7 Investment in group enterprises - continued		
Specification of carrying amount:		
Alm. Brand Bank A/S		
(DKK 1,021 million nominal value wholly owned)	1,982	1,572
Alm. Brand Forsikring A/S		
(DKK 1,032 million nominal value wholly owned)	3,035	3,293
Investment in group enterprises, year-end	5,017	4,865
Note 8 Cash in hand and balances at call		
Deposits held at call, Alm. Brand Bank	0	16
Escrow account, Alm. Brand Bank	1	1
Custody accounts, eksternal banks	0	0
Cash in hand and balances at call, year-end	**1**	**17**
Note 9 Other receivables		
Miscellaneous debtors	4	2
Rent deposit	36	36
Pensionskassen under Alm. Brand A/S	15	15
Other receivables, year-end	**55**	**53**
Note 10 Current tax assets		
Current tax assets, beginning of year	19	18
Tax paid in respect of prior years	-19	-18
Tax on profit/loss for the year	16	19
Current tax assets, year-end	**16**	**19**
Note 11 Interest receivable		
Bonds	0	2
Interest receivable, year-end	**0**	**2**

DKKm		
Note 12 Shareholders' equity		
Share capital, beginning of year	1,655	1,735
Cancellation of treasury shares	-45	-80
Share capital, year-end	**1,610**	**1,655**

The share capital consists of 165,500,000 shares of DKK 10 each and has been fully paid up.

DKKm				2015	2014
Share capital, beginning of year	1,655	1,735	1,735	1,735	1,735
Cancellation of treasury shares	-45				
Share capital, year end	1,610	1,655	1,735	1,735	1,735

Reference is made to the statement of changes in equity.

Solvency		
Tier 1 capital after deductions	3,105	3,315
Total capital after decuctions	3,355	3,447
Weighted assets subject to market risk	4,079	4,476
Total weighted assets	4,079	4,476
Tier 1 capital after deductions as a percentage of total we	76.1%	74.1%
Total capital ratio	82.3%	77.0%

The total capital is calculated in accordance with the CRD-IV rules and the FICOD II rules.

Notes

DKKm	2018	2017
Note 12 Shareholders' equity- continued		
No. of shares		
Reconciliation of the no. of shares (1,000)		
Issued shares, beginning of year	165,500	173,500
Treasury shares, beginning of year	-5,876	-10,031
No. of shares, beginning of year	159,624	163,469
Shares acquired/sold during the year	-2,910	-3,845
Cancellation of treasury shares	4,500	8,000
Issued shares, year end	161,000	165,500
Treasury shares, year end	-4,286	-5,876
No. of shares at year-end	156,714	159,624
Treasury shares		
Nominal value, beginning of year	59	100
Acquired during the year, net	29	39
Cancellation of treasury shares	-45	-80
Nominal value, year-end	43	59
Holding (1,000), beginning of year	5,876	10,031
Acquired during the year	3,959	4,767
Sold during the year	-1,049	-922
Cancellation of treasury shares	-4,500	-8,000
Holding (1,0000), year-end	4,286	5,876
Percentage of share capital	2.7%	3.6%

DKKm	2018	2017
Note 13 Total subordinated debt		
Floating rate bullet loans maturing 1 April 2024	250	250
Subordinated debt, year-end	**250**	**250**
Interest on subordinated debt	12	12
Costs incurred in connection with the raising of the subordinated debt	0	0

The subordinate loan capital carries a floating rate of interest of 3M CIBOR plus 5.0 percentage points.

The subordinated loan capital is eligible for recognition in full in the calculation of total capital.

DKKm	2018	2017
Note 14 Deferred tax liabilities		
Deferred tax liabilities, beginning of year	36	29
Change for the year	2	7
Deferred tax liabilities, year-end	**38**	**36**
Deferred tax on contingency funds in group enterprises	40	40
Deferred tax on equipment	-2	-2
Deferred tax on provisions	0	-2
Deferred tax liabilities, year-end	38	36

Notes

DKKm	2018	2017
Note 15 Contingent liabilities,		
Guarantee commitments	359	669

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) writtenthrough ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken toindemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (Winding-up pension fund). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

Alm. Brand A/S has made rental agreements for premises with total annual payments of DKK 195 million allocated over a five-year period, of which DKK 58 million falls due over the next 12 months and DKK 133 million falls due over the following four years. DKK 62 million of the DKK 195 million relates to third-party landlords.

For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as an administration company. Alm. Brand A/S has unlimited, joint and several liability together with the other jointly taxed companies for corporate income tax payable from and including the 2013 financial year and for withholding taxes on dividends, interest and royalties from and including 1 July 2012. The net liability of the jointly taxed companies to SKAT is specified in segment reporting, balance sheet. Any subsequent adjustments of income subject to joint taxation and withholding tax, etc. could cause Alm. Brand A/S's liability to increase.

Note 16 Staff costs		
Salaries and wages	14	13
Pension	3	3
Share-based payment	1	1
Total salaries and wages, pension, etc.	**18**	**17**

DKKm	2018	2017
Average number of employees	3	3

	2018	2018	2017	2017
	Parent company	Alm. Brand Group	Parent company	Alm. Brand Group
Remuneration to the Management Board and Board of Directors (DKK '000)				
Salaries and wages	6,627	6,627	6,191	6,191
Pension plans	2,260	2,260	1,999	1,999
Share-based payment	788	788	734	734
Total remuneration to the Management Bc	9,675	9,675	8,924	8,924
Directors' fees	3,893	5,167	3,893	5,167
Total remuneration to the Management Board and Board of Directors	13,568	14,842	12,817	14,091
Alm. Brand Group remuneration to the Board of Directors (DKK '000)				
Jørgen Hesselbjerg Mikkelsen (Chairman)	737	1,070	737	1,070
Jan Skytte Pedersen (Deputy Chairman)	490	795	490	795
Anette Eberhard	355	610	355	610
Ebbe Castella	275	450	275	450
Boris Nørgaard Kjeldsen	248	450	248	450
Per Viggo Hasling Frandsen	248	355	248	355
Karen Sofie Hansen-Hoeck	275	275	275	275
Flemming Fuglede Jørgensen (joined in 2018)	165	237	0	0
Henrik Christensen (retired in 2018)	83	118	248	355

Continued on the next page

Notes

	2018	2018	2017	2017
	Parent company	Alm. Brand Group	Parent company	Alm. Brand Group
Brian Egested (employee representative)	248	275	248	275
Helle Låsby Frederiksen (employee representative)	248	275	248	275
Susanne Larsen (employee representative)	275	275	275	275
Claus Nexø Jensen (employee representative, joined in 2018)	165	186	0	0
Lars Christiansen (employee representative)	83	89	248	275
Total remuneration to the Board of Direct	3,893	5,460	3,893	5,460
No. of members of the Management Boar	1		1	
No. of members of the Board of Directors	12		12	

Remuneration to the members of the Management Board comprises remuneration to Chief Executive Officer Søren Boe Mortensen.

Alm. Brand has decided to provide all employees of the group, including the Management Board, with defined contribution pension plans. The group's expenses in relation to the Management Board's pension plans are shown in the above note.

The notice of termination between Alm. Brand and the Management Board is 12 months for either party. If a member of the Management Board is given notice by Alm. Brand, he is entitled to a severance payment equalling 24 months' salary.

Effective from 1 July 2016, a share-based remuneration programme for 13% of the fixed salary was established for the senior management team of the Alm. Brand Group. The shares are gran-ted free of charge twice annually (third trading day of June and December, respectively). The value is calculated as a simple average of the average price of one share in Alm. Brand quoted on the first trading day of each calendar month during the calen-dar months forming the basis of the individual share grant.

The remuneration of the Board of Directors includes remuneration for audit committee participa-tion. As chair of the remuneration committee, Anette Eberhard receives DKK 80 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually.

	2018	2017
Remuneration to risk takers (DKK '000)		
Fixed salary	17,432	14,481
Pension	3,423	2,811
Variable salary	75	0
Share-based payment	1,137	966
Total remuneration to risk takers	22,067	18,258
Number of risk takers	15	13

Risk takers are those persons who, in accordance with the Danish Executive Order on remunera-tion policy and public disclosure of salaries, have a material influence on the company's risk profile. Remuneration to risk takers is included in the allocated costs.

A one-off fee has been paid to risk takers, but no bonus has been disbursed.

Share-based payment
A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

Notes

DKKm	2018	2017
Note 17 Audit fees		
Deloitte (DKK '000):		
Audit	606	583
Tax consultancy	623	500
Non-audit services	899	109
Total audit fees	2,155	1,192

Note 18 Related parties

Related parties comprise:

- Members of the company's Management Board and Board of Directors and their related family members
- Companies controlled by members of the Management Board of Board of Directors
- Other companies in the Alm. Brand Group
- Alm. Brand af 1792 fmba, which exercises a controlling influence on the company

Related party transactions:

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value. The company has made a DKK 30 million drawdown on an overdraft facility with Alm. Brand Bank.

Dividends of DKK 850 million were received from Alm. Brand Forsikring A/S in 2018. In 2017, the amount of dividends received from Alm. Brand Forsikring A/S was DKK 940 million.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S.

All agreements and transactions are made on an arm's length basis or, where there is no specific market, on a costrecovery basis.

Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand A/S has issued a guarantee to Alm. Brand Bank, covering 75% (most secure part) of the residual risk on the portfolio of cars held on operating leases. The guarantee is limited to DKK 500 million, and an annual commission of 0.75% of the utilised guarantee is paid. An amount of DKK 2.6 million was paid in 2018.

Note 19 Accounting policies

Generally

The annual report is presented in compliance with the Danish Financial Business Act, including the Executive Order on financial reports presented by insurance companies and lateral pension funds. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

With respect to recognition and measurement, the accounting policies of the parent company Alm. Brand A/S are identical to those described for the group, with the exception that:

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

Apart from the description provided in the group's accounting policies on pages 139 to 152, the accounting policies are consistent with those applied in the 2017 Annual Report.

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.

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.

Bank
The bank's financial highlights and key ratios are presented in accordance with the internal reporting. The accounting policies on page 151 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.

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

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

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.

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

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

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

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

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.

Gross premium income is regulated for bonus and premium discounts.

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

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

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

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

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

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.

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

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

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

Group companies

DKKm		Profit for the year	Shareholders' equity year-end	Ownership interest
Holding				
Alm. Brand A/S, Copenhagen	Holding	569	4,748	
Non-life Insurance				
Alm. Brand Forsikring A/S, Copenhagen	Insurance	592	3,035	100%
Life Insurance				
Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen	Insurance	95	700	100%
Alm. Brand Ejendomsinvest A/S, Copenhagen	Real property	110	1,288	100%
Banking and finance				
Alm. Brand Bank A/S, Copenhagen	Banking	21	1,984	100%
Alm. Brand Leasing A/S, Copenhagen	Car finance and leasing	15	171	100%
Ejendomsselskabet AB ApS, Copenhagen	Real property	-10	3	100%
Other companies				
Alm. Brand Præmieservice A/S, Copenhagen	Financing	0	1	100%

"Ownership interest" indicates Alm. Brand A/S's direct or indirect ownership interests.