ALM. BRAND

# Annual Report 2020

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 Non-life Insurance and Life Insurance.

## *We take care of our customers*

### 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 – 229 years ago.

**Employees at end-2020**

**1,400**

We are close to 1,400 employees working at our head office in Copenhagen and in our local offices.

**Alm. Brand af 1792 fmba**

**58%**

Our largest shareholder is Alm. Brand af 1792 fmba, which holds about 58% of the shares of Alm. Brand A/S.

# Our *business model*

## We offer excellent customer service and high-quality products covering our customers' financial needs.

## Benefits for our customers

- Financial advisory services tailored to the needs of each individual customer
- 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
- Strong brand
- Synergies in the form of shared functions

# 5-year *highlights*

| | DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| GROUP | **Income** | | | | | |
| | Non-life Insurance | 5,471 | 5,365 | 5,274 | 5,157 | 5,028 |
| | Life Insurance | 1,504 | 1,850 | 2,004 | 1,394 | 1,281 |
| | Banking | - | - | 954 | 731 | 653 |
| | Investment etc. | 377 | 454 | 376 | 491 | 532 |
| | **Total income** | **7,352** | **7,669** | **8,608** | **7,773** | **7,494** |
| | | | | | | |
| | Profit/loss | | | | | |
| | Non-life Insurance | 880 | 607 | 652 | 917 | 967 |
| | Life Insurance | 112 | 96 | 104 | 93 | 84 |
| | Banking | - | - | 26 | 67 | 44 |
| | Other activities | -61 | -86 | -58 | -54 | -62 |
| | **Profit/loss before tax, continuing activities excluding special costs** | **931** | **617** | **724** | **1,023** | **1,033** |
| | Special costs | -98 | -64 | - | - | - |
| | **Profit/loss before tax, continuing activities** | **833** | **553** | **724** | **1,023** | **1,033** |
| | Tax, continuing activities | -190 | -113 | -155 | -212 | -207 |
| | **Profit/loss after tax, continuing activities** | **643** | **440** | **569** | **811** | **826** |
| | Profit/loss after tax, discontinued activities | -27 | 12 | - | - | - |
| | **Profit/loss after tax** | **616** | **452** | **569** | **811** | **826** |
| | | | | | | |
| | Total provisions for insurance contracts | 24,698 | 23,593 | 21,626 | 20,961 | 20,092 |
| | Consolidated shareholders' equity | 5,167 | 4,576 | 4,748 | 4,936 | 5,200 |
| | Total assets | 32,780 | 41,798 | 39,025 | 34,654 | 34,859 |
| | Average no. of employees | 1,690 | 1,796 | 1,770 | 1,602 | 1,572 |
| | No. of employees, end of period | 1,369 | 1,904 | 1,884 | 1,689 | 1,738 |
| | Return on equity before tax, continuing activities (%) **) | 17.1 | 11.8 | - | - | - |
| | Return on equity before tax (%) *) | 18.8 | 14.8 | 15.2 | 20.8 | 20.2 |
| | Return on equity after tax (%) *) | 14.1 | 11.7 | 12.0 | 16.5 | 16.2 |

| | DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| PARENT COMPANY | **Profit/loss before tax, continuing activities** | **609** | **429** | **555** | **798** | **811** |
| | Tax, continuing activities | 34 | 23 | 14 | 13 | 15 |
| | **Profit/loss after tax, continuing activities** | **643** | **452** | **569** | **811** | **826** |
| | Profit/loss after tax, discontinued activities | -27 | 12 | - | - | - |
| | **Profit/loss after tax** | **616** | **452** | **569** | **811** | **826** |
| | Total assets | 6,257 | 5,208 | 5,095 | 5,247 | 5,508 |
| | Total investment assets | 5,634 | 4,952 | 5,021 | 5,173 | 5,428 |
| | Share capital | 1,541 | 1,577 | 1,610 | 1,655 | 1,735 |
| | Shareholders' equity | 5,167 | 4,576 | 4,748 | 4,936 | 5,200 |
| | Payables | 822 | 345 | 59 | 25 | 29 |
| | Return on equity before tax (%) *) | 18.8 | 14.8 | 15.2 | 20.8 | 20.2 |
| | Return on equity after tax (%) *) | 14.1 | 11.7 | 12.0 | 16.5 | 16.2 |
| FINANCIAL RATIOS | Earnings per share | 4.0 | 2.9 | 3.6 | 5.0 | 5.0 |
| | Diluted earnings per share | 4.0 | 2.9 | 3.6 | 4.9 | 4.9 |
| | Net asset value per share | 34 | 30 | 30 | 30 | 31 |
| | Share price, end of period | 73.4 | 59.2 | 49.3 | 81.0 | 54.0 |
| | Price/NAV | 2.2 | 2.0 | 1.7 | 2.7 | 1.7 |
| | Average no. of shares (in thousands) | 153,792 | 155,832 | 158,150 | 161,438 | 165,839 |
| | No. of shares, end of period, diluted (in thousands) | 153,887 | 154,588 | 157,955 | 161,708 | 166,218 |
| | Average no. of shares, diluted (in thousands) | 153,891 | 156,527 | 159,723 | 163,840 | 169,321 |
| | Dividend per share (DKK) | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| | No. of shares bought back (in thousands) | 809 | 3,891 | 3,307 | 4,768 | 6,472 |
| | Avg. price of shares bought back, DKK | 57.7 | 56.0 | 65.5 | 59.4 | 47.7 |

*) Return on equity in the parent company is calculated before tax in subsidiaries. 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). The key ratios for 2020 and 2019 have been calculated net of special costs totalling DKK 98 million and DKK 115 million before tax, respectively. In the financial highlights and key ratios, DKK 51 million of the DKK 115 million for 2019 is recognised under discontinued activities, while DKK 64 million can be attributed to the continuing activities as follows: Non-life Insurance DKK 44 million, Life Insurance DKK 5 million and Other activities DKK 15 million. The loss on discontinued activities is included in the results before and after tax for both years.

**) The calculation of financial ratios for 2020 and 2019 is based on the profit before tax on continuing activities and consequently does not include the loss on discontinued activities.

In the key figures and financial ratios, no eliminations have been recognised between the profit on continuing activities and the loss on discontinued activities. Eliminations totalled DKK 30 million before tax in 2020 and DKK 34 million in 2019. See also the segment income statement on pages 54 and 55.

# Alm. Brand *Group*

## Overview of 2020 results

**FULL-YEAR CONSOLIDATED FINANCIAL RESULTS**

Alm. Brand generated a consolidated pre-tax profit on continuing activities of DKK 833 million in 2020, against a pre-tax profit of DKK 553 million in 2019. The profit for 2020 included special corporate expenses for restructuring and divestment of the bank of DKK 98 million. The profit for 2019 included special costs of DKK 64 million related primarily to restructurings. The 2020 performance was highly satisfactory.

The realised profit on continuing activities equalled a return on equity of 17.1% before tax.

The past year saw major changes triggered by external events as well as changes implemented in the group, including not least the sale of Alm. Brand Bank A/S. Overall, the group achieved a strong business performance supported by adaptability and execution excellence, while also recording a direct, positive knock-on effect of COVID-19 in its 2020 financial performance. Based on a generally lower level of activity due to the partial lockdown of society, Alm. Brand recorded a positive effect on its results of about DKK 120 million driven by fewer reported claims. However, COVID-19 also put premium income under pressure, as sales to both commercial and private customers were affected by restrictions preventing insurance agents from holding face-to-face customer meetings.

The group posted a loss on discontinued activities of DKK 27 million after tax. Alm. Brand A/S incurred a loss of DKK 106 million on the sale of the bank as a result of divestment at 95% of the net asset value and transaction costs related to the sale. The loss on discontinued activities is inclusive of the bank's profit of DKK 79 million after tax.

Against this background, the Board of Directors recommends that a dividend of DKK 4.00 per share be distributed for 2020. The Board of Directors furthermore recommends that also the postponed dividend in respect of the 2019 financial year of DKK 3.00 per share be paid, resulting in a total dividend payout of DKK 7.00 per share following the annual general meeting scheduled to be held in April 2021. After the dividend payout, Alm. Brand will still be strongly capitalised with a total capital ratio of 317%. The capitalisation level is considered sufficient to resist very severe stresses.

### Non-life Insurance

Non-life Insurance generated a pre-tax profit of DKK 880 million in 2020, against a pre-tax profit of DKK 607 million excluding special costs of DKK 44 million in 2019. The performance was highly satisfactory and better than expected.

Non-life Insurance reported a technical result of DKK 815 million in 2020, against DKK 570 million in 2019, reflecting a sustained positive trend in the underlying business and a better-than-expected claims experience on weather-related and major claims and a positive run-off result.

Gross premium income was up 2.0% to a total of DKK 5,471 million, against DKK 5,365 million in 2019, and the combined ratio including run-off gains was 85.1, against 89.4 in 2019.

For parts of the year, non-life insurance activities were affected by COVID-19 and the ensuing periods of partial lockdown of society. Towards the end of Q1 2020 and going into Q2 2020, society saw a lower-than-usual level of activity with fewer claims being reported as a consequence. Over the summer months, the claims experience gradually returned to normal, but increased COVID-19 infection rates and the renewed lockdown of society in late autumn and in the winter months again drove activity lower, leading to fewer reported claims. This claims pattern was mainly characteristic of contents, motor and travel insurance lines.

Financial markets overall developed favourably in 2020, with Non-life Insurance reporting an investment return of DKK 65 million.

### Life Insurance

Life Insurance generated a pre-tax profit of DKK 112 million in 2020, against a pre-tax profit of DKK 96 million excluding special costs of DKK 5 million in 2019.

Total pension contributions amounted to DKK 1,504 million, against DKK 1,850 million in 2019, covering growth in regular premium payments of 2.0% to DKK 819 million and a reduction in single payments to DKK 685 million from DKK 1,047 million in 2019. The performance was satisfactory and in line with expectations, although growth was weaker than expected.

The bonus rate was 15.2% at 31 December 2020, which was a decline of 0.9 of a percentage point relative to the year-earlier date. The bonus rate remained satisfactory in light of the very low interest rate environment. For 2021, the rate on policyholders' savings has been fixed at 3% for new customers.

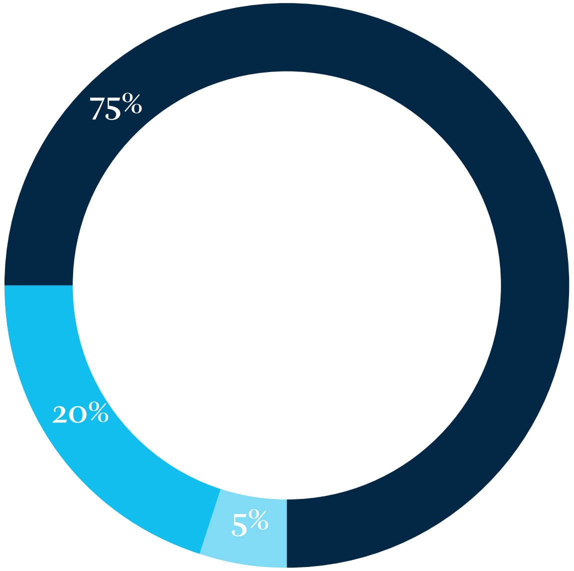
# *Overview* of 2020 results

## Income by business area

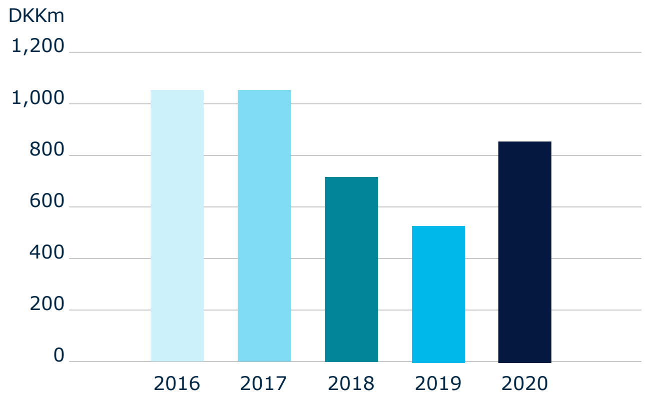
NON-LIFE INSURANCE
**5,471** DKKm ▲ 2.0%

LIFE INSURANCE
**1,504** DKKm ▼ 18.7%

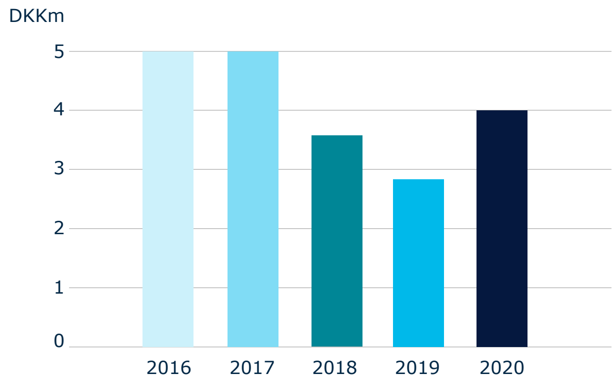
INVESTMENTS ETC.
**377** DKKm ▼ 17.0%




## Profit before tax




## Earnings per share




| Total income | Profit before tax | Return on equity | Earnings per share |
|---|---|---|---|
| **7,352** DKKm | **833** DKKm | **17.1%** before tax | **4.00** DKK |

2019 and 2020 figures are for the continuing activities. Prior year figures have not been restated.

## Other activities

Other activities, consisting primarily of corporate expenses, performed in line with expectations, reporting a pre-tax loss of DKK 61 million excluding special costs of DKK 98 million. In 2019, other activities reported a pre-tax loss of DKK 86 million excluding special costs of DKK 15 million, but including expensed severance payments in connection with the departure of the former CEO.

## Discontinued activities

**Banking**

The bank generated a pre-tax profit of DKK 97 million in the period until the sale on 30 November 2020, against a pre-tax profit of DKK 67 million excluding special costs of DKK 51 million in 2019. The performance was satisfactory and in line with expectations. Profit after tax was DKK 79 million.

The bank's core earnings amounted to DKK 136 million in 2020 (11 months), against DKK 84 million in 2019, supported by higher net interest and fee income and lower costs as a result of the income and cost initiatives implemented earlier in the year.

As a result of the divestment at 95% of the net asset value and transaction costs related to the sale, a loss of DKK 106 million was recognised in connection with the sale of the bank, resulting in a loss on discontinued activities of DKK 27 million.

# MAJOR EVENTS

## Sale of Alm. Brand Bank A/S and formation of strategic partnership with Sydbank A/S

Alm. Brand has sold Alm. Brand Bank A/S to Sydbank A/S and formed a strategic partnership with Sydbank A/S as described in company announcement no. 40/2020 of 1 October 2020. The sale of the bank was completed at 95% of the net asset value and freed up capital in a net amount of approximately DKK 1.2 billion.

The agreement to form a strategic partnership with Sydbank among other things entails that Sydbank will distribute Alm. Brand's insurance products to its customers, that Alm. Brand will distribute Sydbank's banking products and that both companies will jointly invest in developing new and innovative products and creating a unique customer experience. The partnership is expected to strengthen Alm. Brand's market position.

## Share buybacks

Since 2015, Alm. Brand A/S 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 at about 58%.

At 12 March 2020, Alm. Brand A/S completed the share buyback programme of DKK 200 million initiated in 2019. The group initiated no new share buyback programme in 2020.

## Share-based remuneration scheme

In December 2020, like the year before, the group's employees were offered to participate in a share-based remuneration scheme. The scheme runs for a period of one year with effect from 1 January 2021, and the shares will be granted on a quarterly basis, the first grant taking place in May 2021. The scheme represents a total market value of DKK 28 million. Shares to be granted under the share-based remuneration scheme are purchased in the open market, and the scheme has been individually approved by the Danish Financial Supervisory Authority.

# SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

## Extraordinary distribution

Alm. Brand A/S distributed DKK 1.2 billion in January 2021, corresponding to an extraordinary dividend of DKK 8.00 per share. The distribution was effected as a consequence of the sale of the bank and the capital freed up in that connection. ■

# To our shareholders

The annual report for 2020 tells the story of a highly satisfactory year for Alm. Brand. The group achieved profit growth in a year that saw the implementation of a number of strategic measures which will come to shape our business in the years ahead in a transformational way. Already at the beginning of the year, the first changes were announced with the formation of a new and more customer-driven organisation across the individual business areas. Later in the year, we announced a partnership with Volkswagen Semler Finans Danmark, and in late autumn Alm. Brand Bank A/S was sold and Alm. Brand entered into a strategic partnership with Sydbank. The many initiatives characterised a year of transformation and execution of a strategy through which we strive for well-defined priorities and a more distinct profile for Alm. Brand.

However, the year will be remembered for something completely different than our internal changes, opt-ins and opt-outs. 2020 will be remembered for the COVID-19 pandemic, which changed the entire world. In these conditions, Alm. Brand proved capable of quickly transitioning to a different reality with virtual customer meetings, widespread use of distance working and in some areas a further acceleration of the use of digital solutions. In spite of the many challenges, the group's employees have shown exceptional commitment and delivered an outstanding performance towards both customers and colleagues.

## Highly satisfactory development

Alm. Brand achieved a performance which, overall, is considered to be highly satisfactory, among other things reflecting enhancement of operations as a result of the earnings and cost initiatives implemented at the beginning of the year.

The group generated a consolidated pre-tax profit on continuing activities of DKK 833 million in 2020, against a pre-tax profit of DKK 553 million in 2019. The profit for 2020 included special corporate expenses for restructuring and divestment of the bank of DKK 98 million. The profit for 2019 included special costs of DKK 64 million related primarily to restructurings. In other words, the group reported highly satisfactory year-on-year growth in consolidated earnings.

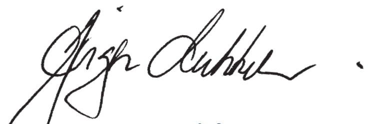
Alm. Brand Bank A/S was sold on 1 October 2020 and transferred to Sydbank at the end of November 2020, the transaction freeing up capital in the group in a net amount of DKK 1.2 billion. This capital was distributed to the shareholders in January 2021 by way of an extraordinary dividend payout of DKK 8.00 per share.

Based on the profit for the year, the Board of Directors recommends that a dividend of DKK 4.00 per share be distributed for the 2020 financial year. The Board of Directors furthermore recommends that the postponed dividend in respect of the 2019 financial year of DKK 3.00 per share be paid, resulting in a total dividend payout of DKK 7.00 per share.

## Change to preserve

Our best estimate for the years ahead, though, is that changes will continue, perhaps even at an accelerated pace. Alm. Brand needs to continue to change in order to retain the group's position as an attractive player in the Danish non-life and life insurance market. Accordingly, we will be looking into a future of continued digitalisation and automation of workflows and processes – while keeping an eye on the changes and consolidation taking place in the external environment close to us. For Alm. Brand, this means that it is important to secure a greater volume of business, among other things based on the partnerships we have forged. ■

**Jørgen Hesselbjerg Mikkelsen**
Chairman of the Board



**Rasmus Werner Nielsen**
Chief Executive Officer

# Outlook for 2021 and targets for 2022

## Expectations are for an overall pre-tax profit of DKK 600-650 million in 2021.

### Financial outlook for 2021

Alm. Brand expects to report a pre-tax profit of DKK 600-650 million excluding run-off gains and losses in 2021.

Non-life Insurance is expected to post a pre-tax profit of DKK 575 million. This guidance is based on premiums growth of more than 3% and a related increase in acquisition costs as a result of investments and commissions derived from the partnership agreements with Sydbank A/S and VW Semler Finans Danmark A/S. To this should be added payment of corporate expenses related to the former banking operations of DKK 50-75 million. In the period until the end of 2022, these corporate expenses are expected to be aligned to reflect the tasks to be performed in the group going forward. In 2021, some of these corporate expenses will be offset by a payment from Sydbank. The expense ratio for 2021 is therefore expected to be at the level of 17-17.5.

The guidance also reflects that the continued lockdown of Danish society is expected to impact the claims experience favourably and that the claims experience for weather-related and major claims is expected to normalise. The combined ratio excluding run-offs is expected to be about 90.

Life Insurance is expected to generate a pre-tax profit of DKK 100 million and growth in regular premium payments of 3-4%.

Other activities are expected to report a pre-tax loss of DKK 50 million, including a small positive contribution from the remaining mortgage deed and debt collection portfolio and a small portfolio of unlisted shares.

The financial outlook is based on the assumption of continued low interest rates in 2021. The group has a substantial portfolio of investment assets, and a continued low interest rate level therefore affects all of the group's business areas.

### Financial targets for the period until 2022

Alm. Brand has defined a number of financial targets for the period until 2022. For Non-life Insurance, the previously announced targets are maintained, but for Life Insurance the growth target is adjusted to 4-5% (previously 7%) to reflect the discontinuation of distribution through Alm. Brand Bank.

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

After the sale of the bank and the formation of several partnerships, Alm. Brand will revisit the overall strategy for the group. In 2021, a process to define the group's strategy and shape the course for the future after 2022 will therefore be initiated. ■

### Targets for the group

| DKKm | Realised 2020 | Target 2022 |
|---|---|---|
| Non-life Insurance, growth in gross premiums | 2.0% | 5% |
| Non-life Insurance, combined ratio excluding run-off result | 87.2% | 90% |
| Non-life Insurance, gross expense ratio | 16.9% | 16% |
| Life Insurance, growth in regular premiums | 2.0% | 4-5% |
| Customer satisfaction (NPS) | 65 | 70 |
| Employee satisfaction | 77 | 80 |

# Alm. Brand for the Customer

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

Some years ago, Alm. Brand launched the group's business strategy under the heading *Alm. Brand for the Customer*. This has been – and still is – an ambitious strategy by which we want to highlight the characteristic and unique features of Alm. Brand and by which we want to stand out from the competition in the Danish non-life and life insurance market. The core of the strategy is a strong customer focus and providing a customer experience across the full spectrum of our product range. We want to establish close ties with our customers, and we aim to build a customer satisfaction that underpins loyalty and supports long-term customer relationships.

Within the framework of this strategy, we developed and focused our business in 2020; *developed* meaning to ensure innovative and future-proof customer service solutions and *focused* meaning to make strategic opt-ins and opt-outs supporting the way we believe we can best develop our business.

With these initiatives, we have taken important strategic steps to ensure the transition required to align Alm. Brand to the structural changes taking place in the financial sector.

### Strategy foundation

### Digital business development at Alm. Brand

The many opportunities offered by digitalisation are being embraced throughout the financial sector. For Alm. Brand, these opportunities are about creating even more customer-oriented and intuitive solutions accessible as and when it suits the customer and about using technology to save unnecessary costs and invest in new digital value propositions for the customer instead. Our vision is to meet the personal needs of each individual customer using digital solutions, building solutions that facilitate integration of our technology with external business partners.

### Focusing of activities and resources

At the end of November 2020, we closed the book on 32 years of carrying on banking operations in the Alm. Brand Group. Alm. Brand Bank A/S was sold and transferred to Sydbank. As a result of the divestment, the group's business focus going forward will be non-life and life insurance.

Our focus is now on bringing together all of the group's operating and development competencies to strengthen these two core businesses, including to promote our brand, customer satisfaction and value proposition.

### Strategic partnerships

Alm. Brand stepped up its partnership ambitions in 2020. The strategy going forward is for partnerships to support the group's overall strategy of building a new position, new growth, a new customer experience and new solutions. The partnership efforts are intended to contribute to securing further access to customer segments and sales with a primary focus on building new growth.

Partnerships will be developed in a way that ensures that Alm. Brand stands out from the competition – and leverages its strong brand, wide product range and advantages in the digital field, among other things by forming a deeper technological integration with its partners that is unprecedented in the market.

Our 2020 efforts included forging partnerships with G4S, Volkswagen Semler Finans Danmark and Sydbank.

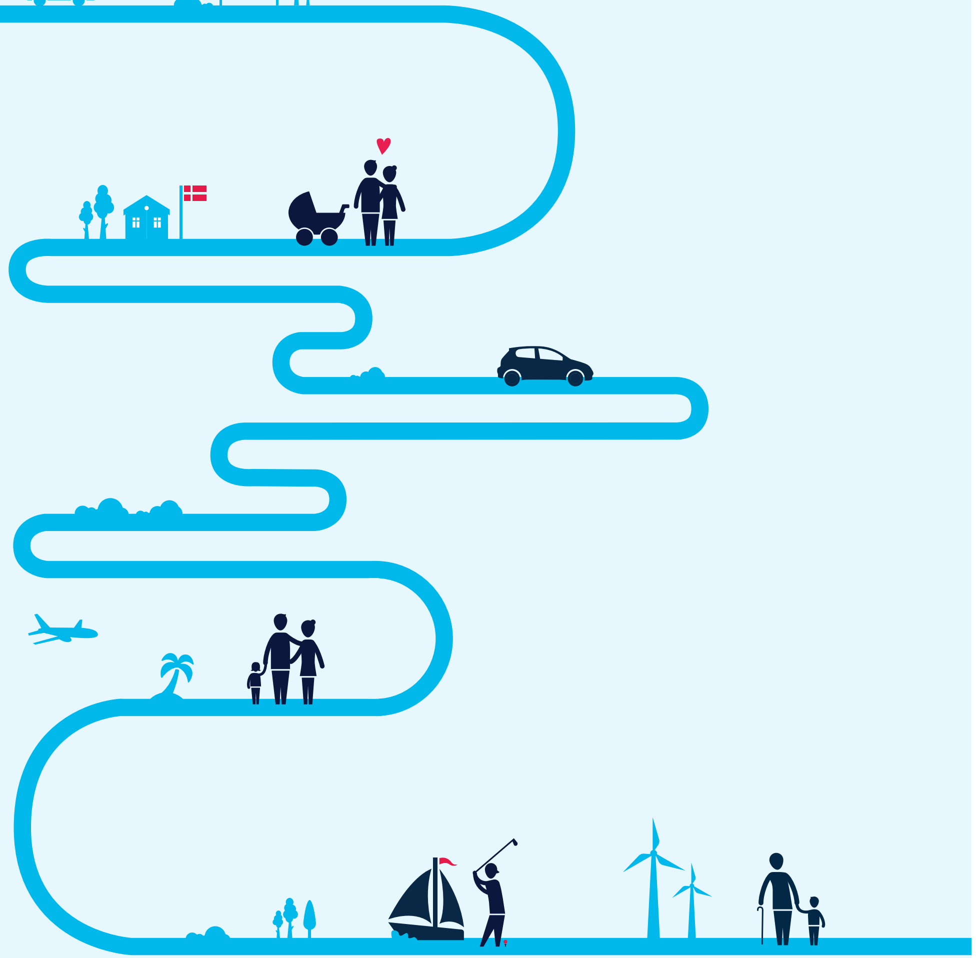
### Priorities towards 2022

Backed by the many changes in 2020, Alm. Brand is facing a year in which most of our focus will be on executing on the new initiatives. It is essential that our digital business development efforts produce solutions generating satisfied customers and realising the expected rationalisation benefits. And it is important that our partnership investments contribute to accelerating growth at Alm. Brand.

At the beginning of 2020, Alm. Brand defined clear goals and targets for the group for the period until 2022 in order to make it clear to us and the world around us what we aim to achieve. Following the formation of partnerships and the divestment of Alm. Brand Bank, the financial targets have been updated to express our commitment to striving for value creation for our customers, employees and shareholders, including our majority shareholder, Alm. Brand af 1792 fmba. ■

2017 | Kundens Alm. Brand | 2022

# 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/loss before tax |
|---|---|---|
| 5,471 DKKm | 85.1 | 880 DKKm |

# Denmark's *4th largest* insurer

**320,000**
Private customers

**90,000**
Commercial and agricultural customers

**9.5 %**
Market share

## Private customers

Portfolio

84% | 16%

## Commercial and agricultural customers

Portfolio

44% | 34% | 23%

**33 %**
of new sales

### Customer service centres

*Provide advisory services to private customers from five regional service centres.*

**58 %**
of new sales

### Tied agents

*Provide advisory services locally from either sales centres or regional offices.*

**9 %**
of new sales

### Brokers

*Supported by a centralised department responsible for preparing quotations and serving brokers.*

# Non-life Insurance

| | DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| INCOME STATEMENT | Gross premium income | 5,471 | 5,365 | 5,274 | 5,157 | 5,028 |
| | Claims expenses | -3,537 | -3,616 | -3,436 | -3,264 | -3,034 |
| | Insurance operating expenses | -926 | -933 | -908 | -901 | -851 |
| | Profit/loss on reinsurance | -193 | -246 | -245 | -187 | -247 |
| | **Technical result** | **815** | **570** | **685** | **805** | **896** |
| | Interest and dividends, etc. | 123 | 136 | 146 | 188 | 217 |
| | Capital gains and losses | 70 | 44 | -155 | -23 | 22 |
| | Administrative expenses related to investment activities | -28 | -27 | -27 | -33 | -32 |
| | Return on and value adjustment of technical provisions | -100 | -116 | 3 | -20 | -136 |
| | **Investment return after return on and value adjustment of technical provisions** | **65** | **37** | **-33** | **112** | **71** |
| | **Profit/loss before tax excluding special costs** | **880** | **607** | **652** | **917** | **967** |
| | Special costs | - | -44 | - | - | - |
| | **Profit/loss before tax** | **880** | **563** | **652** | **917** | **967** |
| | Tax | -198 | -127 | -139 | -196 | -204 |
| | **Profit/loss after tax** | **682** | **436** | **513** | **721** | **763** |

| | DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| BALANCE SHEET | Run-off result, claims | 113 | 77 | 196 | 274 | 398 |
| | Run-off result, risk margin | 46 | 65 | 72 | 48 | 48 |
| | Total provisions for insurance contracts | 7,754 | 7,375 | 7,147 | 7,203 | 7,239 |
| | Insurance assets | 195 | 148 | 148 | 141 | 170 |
| | Total shareholders' equity | 3,108 | 2,426 | 2,400 | 2,493 | 2,587 |
| | Total assets | 11,810 | 10,721 | 10,553 | 10,702 | 10,808 |
| FINANCIAL RATIOS | Gross claims ratio *) | 64.6 | 67.4 | 65.2 | 63.3 | 60.4 |
| | Net reinsurance ratio | 3.6 | 4.6 | 4.6 | 3.6 | 4.9 |
| | **Claims experience** *) | **68.2** | **72.0** | **69.8** | **66.9** | **65.3** |
| | Gross expense ratio *) | 16.9 | 17.4 | 17.2 | 17.5 | 16.9 |
| | **Combined Ratio** *) | **85.1** | **89.4** | **87.0** | **84.4** | **82.2** |
| | Combined ratio excluding run-off result *) | 87.2 | 90.8 | 90.7 | 89.7 | 90.1 |
| | Combined ratio | 85.1 | 90.2 | 87.0 | 84.4 | 82.2 |
| | Return on equity before tax (%) *) | 31.8 | 24.1 | 28.4 | 38.5 | 38.6 |
| | Return on equity after tax (%) *) | 24.6 | 18.6 | 22.3 | 30.6 | 30.5 |

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

# Non-life Insurance

## Improved underlying business in a year marked by COVID-19

### FULL-YEAR FINANCIAL RESULTS

Non-life Insurance generated a pre-tax profit of DKK 880 million in 2020, against a pre-tax profit of DKK 607 million excluding special costs in 2019. The full-year performance was satisfactory and better than expected. The 2020 performance was lifted by an improved claims experience driven by a lower level of activity in society during the COVID-19 lockdown as well as by completed profitability-enhancing measures. The pre-tax profit for 2019 was DKK 563 million including special costs.

The technical result amounted to DKK 815 million in 2020, against DKK 570 million in 2019.

The combined ratio was 85.1 in 2020, being favourably affected by fewer expenses for both weather-related and major claims as well as by a lower claims frequency level during the temporary lockdown of society. Net of run-off gains on claims provisions, the combined ratio was 87.2.

The underlying combined ratio was 79.1 in 2020, marking a 3.5 percentage point improvement relative to 2019, including an estimated positive effect of COVID-19 of 2.2 percentage points.

## Combined ratio

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Combined ratio, underlying business *) | 81.3 | 82.6 | 82.4 | 81.3 | 80.4 |
| COVID-19 effect, estimated | -2.2 | - | - | - | - |
| Combined ratio, underlying business *) | 79.1 | 82.6 | 82.4 | 81.3 | 80.4 |
| Weather-related claims, net of reinsurance | 1.5 | 2.6 | 1.2 | 1.5 | 2.2 |
| Major claims, net of reinsurance | 6.2 | 5.7 | 7.3 | 6.6 | 7.4 |
| Reinstatement premium | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| Run-off result, claims | -2.1 | -1.4 | -3.7 | -5.3 | -7.9 |
| Change in risk margin, run-off result and current year | 0.4 | -0.1 | -0.2 | 0.3 | 0.2 |
| **Combined ratio *)** | **85.1** | **89.4** | **87.0** | **84.4** | **82.2** |

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

### Premiums

Gross premiums rose by 2.0% to DKK 5,471 million in 2020, an improvement from the 2019 growth rate of 1.7%. However, growth in 2020 was below the expected level, partly due to a lower level of activity in society and partly to a generally more competitive market, which resulted in increased customer outflow. In addition, Alm. Brand wants to retain its focus on profitability and has therefore implemented a number of profitability measures over the past couple of years.

The lockdown of society also had a negative effect on premium income, among other things because premiums on workers' compensation insurance policies were adjusted in connection with redundancies and also because the low level of activity naturally had a negative effect on both sales and total premium income.

For the commercial customer segment, customer loyalty remained at a stable level. For the private customer segment, customer loyalty traced downward, mainly due to profitability-enhancing measures. However, the retention rates for private and commercial customers remained at a high level.

### Claims experience

The claims experience was 68.2%, against 72.0% in 2019. The positive trend in the claims experience should be seen against the backdrop of a general decline in activity during the lockdown of society, with COVID-19 affecting the claims experience favourably by 2.2 percentage points. The claims experience was also lifted by a lower level of expenses for weather-related claims and major claims as well as by the favourable effects of procurement and claims processing initiatives. Finally, the run-off result affected the claims experience favourably by 2.1 percentage points. Net of the run-off result, the claims experience was 70.3%.

### Weather-related claims
No major weather-related events were reported in 2020. Expenses for weather-related claims net of reinsurance were DKK 80 million in 2020, against DKK 140 million in 2019, which was also a mild year in terms of weather-related claims. Weather-related claims affected the combined ratio by 1.5 percentage points in 2020.

### Major claims
Both the number of major claims and total expenses for major claims came out slightly better than anticipated in 2020. One major fire claim was reported at a gross expense of DKK 68 million and a net expense of DKK 30 million after reinsurance. Net of reinsurance, major claims expenses totalled DKK 338 million, against DKK 308 million in 2019, with an aggregate effect on the combined ratio of 6.2 percentage points.

### Underlying business
The underlying claims ratio was 62.2 in 2020, which was markedly better than the claims ratio of 65.2 reported for 2019 and significantly lower than expected at the beginning of the year. The claims ratio was favourably affected by the temporary lockdown of society, which had a favourable knock-on effect on most insurance products. A lower level of activity and more people working from home meant fewer motor claims and a lower burglary frequency, while travel restrictions had a favourable effect on expenses for travel insurance claims.

### Run-off result
Run-off gains on claims net of reinsurance amounted to DKK 113 million, against DKK 77 million in 2019, including an additional provision for workers' compensation liabilities made during the year to counter changes in the processing of industrial injury cases by Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*).

### Risk margin
The change in the overall risk margin reduced the full-year performance by DKK 20 million, equivalent to an increase in the combined ratio of 0.4 of a percentage point. By comparison, the risk margin lifted the 2019 performance by DKK 6 million, resulting in a drop in the combined ratio of 0.1 of a percentage point.

## Costs
Total costs amounted to DKK 926 million in 2020, against DKK 933 million in 2019, equivalent to an expense ratio of 16.9. The reduction was driven in particular by the cost-saving measures taken at the beginning of 2020, which, however, were partly offset by general wage developments, investments in automation and the new partnerships as well as by compensation provided to insurance agents in the first months of the COVID-19 lockdown when the sales situation was under pressure.

Including special costs, total costs amounted to DKK 956 million in 2019.

## Net reinsurance ratio
The net reinsurance ratio for the year was 3.6%. In 2020, Alm. Brand had one major claim of DKK 68 million that triggered coverage of DKK 38 million under the reinsurance programme, driving the net reinsurance ratio lower than the 4.6% reported in 2019.

## Discounting
The discount rates used fell marginally from 31 December 2019 to 31 December 2020. Interest rates increased in early spring following the major interest rate declines in 2019, but dropped again after the COVID-19 pandemic set in. At the end of 2020, interest rates were marginally lower than at the beginning of the year, and both short-term and

long-term interest rates were in negative territory at 31 December 2020. Due to the composition of expected cash flows, the technical provisions are affected the most by movements in short-term interest rates. Overall, the effect of interest rate developments on the financial results in 2020 was on a par with 2019.

## PRIVATE
The technical result amounted to a profit of DKK 507 million in 2020, against DKK 346 million in 2019.

The combined ratio was 81.6, which was satisfactory and significantly above expectations. The improvement was driven by lower expenses for both major claims and

## Private

| DKKm | 2020 | 2019 |
|---|---|---|
| Gross premium income | 2,761 | 2,695 |
| Gross claims expenses | -1,692 | -1,774 |
| Insurance operating expenses | -506 | -516 |
| Profit/loss on reinsurance | -56 | -59 |
| **Technical result** | **507** | **346** |
| Run-off result, claims | 118 | 91 |
| Run-off result, risk margin | 23 | 26 |
| Gross claims ratio *) | 61.3 | 65.8 |
| Net reinsurance ratio | 2.0 | 2.2 |
| **Claims experience *)** | **63.3** | **68.0** |
| Gross expense ratio *) | 18.3 | 19.2 |
| **Combined ratio *)** | **81.6** | **87.2** |
| Combined ratio, underlying business *) | 82.6 | 87.0 |
| Weather-related claims, net of reinsurance | 1.1 | 1.6 |
| Major claims, net of reinsurance | 2.1 | 2.1 |
| Run-off result, claims | -4.3 | -3.4 |
| Change in risk margin, run-off result and current year | 0.1 | -0.1 |
| **Combined ratio *)** | **81.6** | **87.2** |

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

weather-related claims and a favourable claims experience on minor claims due to the lower level of activity in society caused by COVID-19. The run-off result also contributed favourably to the result.

Premium income was up by 2.5% to DKK 2,761 million, which was below the level expected for the year. The profitability-enhancing measures in the private customer segment continued in 2020 with price adjustments for a number of private customers whose risk was not correctly reflected in the price. As a result, customer retention fell slightly in 2020, although the retention rate remained at a high level. During some periods, sales fell short of the expected level, which to a certain extent was due to the lower level of activity in society caused by COVID-19. In addition, competition was fierce for some specific insurance products, for instance motor insurance, which in 2020 also had a negative knock-on effect on other insurance products, as customers typically prefer to have all their insurance policies with one insurance company. In response to this, Alm. Brand at the end of the year made a number of price adjustments across the motor insurance segments to ensure a continued competitive value proposition.

The claims experience excluding run-off gains on claims was 67.6%, marking an improvement from 71.4% in 2019.

Net of reinsurance, expenses for weather-related claims amounted to DKK 30 million in 2020, against DKK 43 million in 2019. In spite of heavy rainfall at the beginning of the year, four windstorms and a number of small cloudbursts in summer, weather conditions were generally favourable, causing the expense level to come out below the level expected at the beginning of the year. Weather-related claims affected the combined ratio by 1.1 percentage points in 2020, against 1.6 percentage points in 2019.

Expenses for major claims totalled DKK 58 million net of reinsurance, which was also less than expected, affecting the combined ratio by 2.1 percentage points. Expenses were on a par with 2019, when major claims expenses also affected the combined ratio by 2.1 percentage points.

The underlying claims ratio was DKK 64.3 in 2020, which was less than anticipated. The claims ratio generally fell in several lines, largely as a result of the temporary lockdown of society due to COVID-19.
Contents, motor and travel insurance are the products that are the most affected by COVID-19, with comprehensive motor, travel and contents insurance seeing a drop in claims ratios. Moreover, a number of claims-preventing measures were initiated in 2020, which also had a favourable effect on claims ratios in the private customer segment.

The run-off result on claims net of reinsurance was a gain of DKK 118 million, against DKK 91 million in 2019, mainly driven by a positive result on motor and personal accident insurance.

The change in the overall risk margin reduced the full-year performance by DKK 4 million, equivalent to an effect on the combined ratio of 0.1 of a percentage point.

# Commercial

| DKKm | 2020 | 2019 |
|---|---|---|
| Gross premium income | 2,710 | 2,670 |
| Gross claims expenses | -1,845 | -1,842 |
| Insurance operating expenses | -420 | -417 |
| Profit/loss on reinsurance | -137 | -187 |
| **Technical result** | **308** | **224** |
| Run-off result, claims | -5 | -14 |
| Run-off result, risk margin | 23 | 39 |
| Gross claims ratio *) | 68.1 | 69.0 |
| Net reinsurance ratio | 5.0 | 7.0 |
| **Claims experience *)** | **73.1** | **76.0** |
| Gross expense ratio *) | 15.5 | 15.6 |
| **Combined ratio *)** | **88.6** | **91.6** |
| Combined ratio, underlying business *) | 75.6 | 78.3 |
| Weather-related claims, net of reinsurance | 1.9 | 3.6 |
| Major claims, net of reinsurance | 10.3 | 9.4 |
| Run-off result, claims | 0.2 | 0.5 |
| Change in risk margin, run-off result and current year | 0.6 | -0.2 |
| **Combined ratio *)** | **88.6** | **91.6** |

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

## COMMERCIAL

The technical result amounted to a profit of DKK 308 million in 2020, against a profit of DKK 224 million in 2019.

The combined ratio was 88.6, which was an improvement relative to expectations and 3.0 percentage points better than in 2019. The result was favourably affected by fewer minor claims due to the lower level of activity in society caused by COVID-19, but also by a favourable claims experience on both weather-related and major claims.

Premium income was up by 1.5% to DKK 2,710 million, which was below the level expected at the beginning of the year. Competition from Danish players in the commercial customer market was generally fierce. Moreover, premiums on workers' compensation insurance, among other things, were adjusted in connection with redundancies as a result of the lockdown of society, just as the lower level of activity in society had a direct effect on sales to new commercial customers in particular.

The customer retention rate remained at a stable, high level.

The claims experience excluding run-off gains on claims was 72.9%, against 75.4% in 2019.

Net of reinsurance, expenses for weather-related claims amounted to DKK 50 million, which was DKK 46 million less than in 2019 and less than expected at the beginning of the year. The expense level was lower because the summer cloudbursts and the windstorms in 2020 did not result in any major claims. Weather-related claims affected the combined ratio by 1.9 percentage points in 2020, against 3.6 percentage points in 2019.

Expenses for major claims were DKK 280 million net of reinsurance, affecting the combined ratio by 10.3 percentage points, which was more than in 2019. In 2019, expenses for major claims were DKK 251 million net of reinsurance and affected the combined ratio by 9.4 percentage points.

The underlying claims ratio was 60.1 in 2020, which was an improvement from 62.1% in 2019. The lower level of activity in society due to the COVID-19-related lockdown was the main reason why the claims frequency was lower than expected.

In both 2019 and 2020, measures were taken that had a positive effect on the claims ratio, including measures to lift profitability on building insurances in the residential segment and on motor insurance and workers' compensation insurance. In 2020, the claims ratio was adversely affected by higher expenses for workers' compensation claims due to changes in the processing of cases by Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*).

The run-off result on claims net of reinsurance amounted to a loss of DKK 5 million, against a loss of DKK 14 million in 2019. During the year, additional provisions for workers' compensation liabilities were made.

The change in the overall risk margin reduced the results by DKK 17 million, equivalent to an effect of 0.6 of a percentage point on the combined ratio.

The net reinsurance ratio was 5.0 in 2020, against 7.0 in 2019. The net expense for reinsurance in 2020 was affected in particular by a single major fire claim that triggered reinsurance coverage of about DKK 38 million.

## INVESTMENT RESULT

The investment result after interest on technical provisions was a gain of DKK 65 million in 2020, against a gain of DKK 37 million in 2019. The 2020 result was highly satisfactory in light of very low interest rate levels and the very volatile financial markets. Moreover, the result was favourably affected by a strategic increase of the exposure to shares and credit bonds from and including Q2 2020.

The company moved the management of its investments in regular bonds, credit bonds and shares to Nykredit Asset Management in Q4 2020. In connection with the change of asset manager, Alm. Brand chose to invest in a fund with sustainable high-yield credit bonds and in both passively and actively managed sustainable global equity funds.

The investment assets are distributed on Danish and international bonds, mortgage deeds and shares and a small portfolio of property investments. The goal is to achieve a satisfactory financial risk/return ratio. 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 fixed-income instruments. Investments in government and mortgage bonds are predominantly placed in issues carrying the highest rating, whereas investments in corporate bonds are mainly placed in the investment grade segment, i.e. investments carrying a rating of at least BBB-/Baa3.

The low interest rate levels and the large remortgaging rounds detracted from the return, whereas the bond portfolio investments were favourably affected by the interest rate declines in 2020.

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 the 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 2020, and the overall result of the hedging portfolio and value adjustment of provisions was positive.

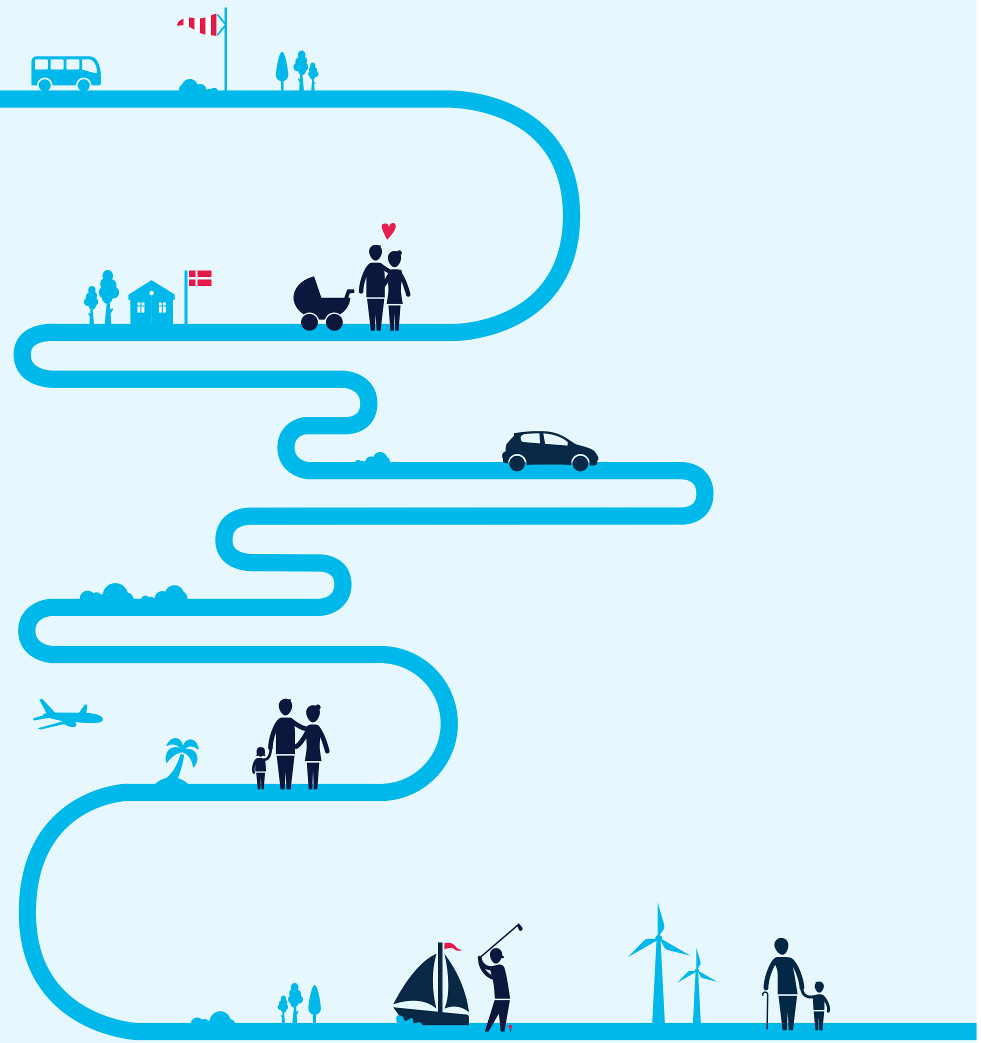
The result of the mortgage deed portfolio fell short of expectations, as the low interest rate level drove up the volume of redemptions, thereby triggering capital losses.

Alm. Brand Forsikring has limited exposure to equities, consisting primarily of sustainable global equity funds and a small portfolio of strategic equities. The global equity markets developed favourably in 2020 and thus made a positive contribution to the performance.

# Investment return

| **DKKm** | **2020** | | | **2019** | | |
|---|---|---|---|---|---|---|
| | **Investment assets** | **Return** | | **Investment assets** | **Return** | |
| Bonds etc. | 9,075 | 103 | 1.2% | 8,715 | 121 | 1.4% |
| Mortgage deeds etc. | 641 | -2 | -0.3% | 803 | 6 | 0.6% |
| Equities | 381 | 87 | 22.8% | 214 | 50 | 28% |
| Properties | 44 | 5 | 12.8% | 50 | 3 | 9.4% |
| **Total return on investments** | **10,141** | **193** | **1.9%** | **9,782** | **180** | **1.8%** |
| Administrative expenses related to investment activities | | -28 | | | -27 | |
| Return on and value adjustment of technical provisions | | -100 | | | -116 | |
| **Net investment return** | | **65** | | | **-33** | |

# 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 | Bonus rate | Profit before tax |
|---|---|---|
| 1,504 DKKm | 15.2 % | 112 DKKm |

# Life Insurance based on *personal* advice

**70,000**
Customers

**Private customers** | **Commercial customers** | **Agricultural customers**

### 31 %
of total sales

**Tied agents**

*Facilitate customer contact to consultants and handle more simple pension schemes locally at the customers' premises.*

### 60 %
of total sales

**Consultants**

*Work closely with the insurance agents and focus on more complex pension schemes.*

### 9 %
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

| | DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| INCOME STATEMENT | Regular premiums | 819 | 803 | 766 | 704 | 666 |
| | Single payments | 685 | 1,047 | 1,238 | 690 | 615 |
| | Premiums | 1,504 | 1,850 | 2,004 | 1,394 | 1,281 |
| | Investment return after allocation of interest | 799 | 1,131 | -41 | 735 | 697 |
| | Benefits paid | -1,354 | -1,034 | -1,030 | -1,032 | -970 |
| | Insurance operating expenses | -107 | -101 | -99 | -99 | -101 |
| | Profit/loss on reinsurance | -3 | -4 | -4 | -3 | -4 |
| | Change in life insurance provisions | -702 | -1,813 | -687 | -871 | -799 |
| | Change in profit margin | -26 | 70 | -35 | -31 | -27 |
| | **Technical result** | **111** | **99** | **108** | **93** | **77** |
| | Return on investment allocated to equity | 1 | -3 | -4 | 0 | 7 |
| | **Profit/loss before tax excluding special costs** | **112** | **96** | **104** | **93** | **84** |
| | Special costs | - | -5 | - | - | - |
| | **Profit/loss before tax** | **112** | **91** | **104** | **93** | **84** |
| | Tax | -25 | -9 | -25 | -16 | -10 |
| | **Profit/loss after tax** | **87** | **82** | **79** | **77** | **74** |

| **Return requirement for shareholders' equity** | | | | | |
|---|---|---|---|---|---|
| Return on investment allocated to equity | 1 | -3 | -4 | 0 | 7 |
| Result of portfolios without bonus entitlement | 2 | 5 | 1 | 14 | 1 |
| Gruppeliv | 9 | 12 | 10 | 7 | 8 |
| Interest result | 47 | 29 | 27 | 25 | 21 |
| Expense result | 7 | 9 | 8 | -13 | -16 |
| Risk result | 46 | 44 | 62 | 60 | 63 |
| **Profit/loss before tax excluding special costs** | **112** | **96** | **104** | **93** | **84** |
| Special costs | - | -5 | - | - | - |
| **Profit/loss before tax** | **112** | **91** | **104** | **93** | **84** |

| | DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| BALANCE SHEET | Total provisions for insurance contracts | 16,944 | 16,218 | 14,479 | 13,758 | 12,853 |
| | Total shareholders' equity | 713 | 626 | 634 | 800 | 848 |
| | Total assets | 19,134 | 18,239 | 15,927 | 15,244 | 14,394 |
| FINANCIAL RATIOS | Return on equity before tax (%) *) | 16.7 | 15.6 | 16.0 | 11.2 | 10.1 |
| | Return on equity after tax (%) *) | 12.9 | 13.9 | 12.2 | 9.2 | 8.9 |
| | Bonus rate | 15.2 | 16.1 | 18.6 | 23.6 | 20.1 |

*) Return on equity for 2019 has been calculated net of special costs totalling DKK 5 million before tax

# Life Insurance

## Very satisfactory performance

### FULL-YEAR FINANCIAL RESULTS

Life Insurance generated a total pre-tax profit of DKK 112 million in 2020, against a pre-tax profit of DKK 96 million excluding special costs in 2019. The profit for the year was highly satisfactory, reflecting a positive expense result, an increase in the company's profit from pension savings under management and a positive return on assets allocated to equity. The pre-tax profit for 2019 was DKK 91 million including special costs. The profit for the year was in line with the most recent guidance.

The expense and risk result was DKK 53 million, which was unchanged relative to 2019 and still highly satisfactory.

The year was marked by the COVID-19 situation, manifested in a sharp decline in the financial markets at the end of February 2020 due to concerns related to the very rapid spread of the epidemic across Europe. From the end of March onwards, the financial markets recovered what they had lost and more, supported by relief packages and vaccination prospects. As a result, the bonus rate developed negatively in the first three months of the year, but subsequently recovered to stand at almost the same level at 31 December as at 1 January.

The bonus rate was still among the best in the market at 15.2%, enabling Alm. Brand Pension to continue to offer one of the highest rates on policyholders' savings in the market. Offering a rate on policyholders' savings of 3.0% in 2021, Alm. Brand Pension is the market leader for the eighth year running.

The company's total assets under management grew by 4.5% from DKK 16.2 billion to DKK 16.9 billion at 31 December 2020.

#### Pension contributions

Total premium income for the year was DKK 1,504 million, against DKK 1,850 million in 2019, due to modest growth in regular premiums of 2% and a decline in single payments.

The reason for the decline in single payments was among other things a combination of restraint due to uncertainty triggered by COVID-19 and a lower rate on policyholders' savings in 2020 than in 2019. The latter resulted in more customers opting for Alm. Brand's market rate product, which is now offered through Sydbank.

The commercial customer segment remained the company's primary growth driver for regular premium payments. Growth in the commercial customer segment was driven by several strategic initiatives that have supported developments, including adjusted pricing of selected products in order to strengthen competitiveness.

#### Benefits paid

Total benefits paid amounted to DKK 1,354 million, against DKK 1,034 million in 2019. The higher amount of benefits paid in 2020 was in line with expectations, in light of the lower rate on policyholders' savings in 2020 and because some of the employees made redundant as a result of the changes made in the Alm. Brand Group at the beginning of the year subsequently transferred their scheme and savings to their new employer.

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 46 million, against DKK 44 million in 2019. The result was satisfactory and was due to gains on both mortality and disability risks. The risk result is still considered to rank among the best in the industry.

#### Costs

Acquisition costs and administrative expenses totalled DKK 107 million in 2020, against DKK 101 million excluding special costs in 2019. The higher amount was attributable to an increase in acquisition costs, among other things due to a change in the allocation of group expenses between the individual business areas. In 2019, costs amounted to DKK 106 million, including special costs related to the organisational adjustments made at the beginning of 2020.

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 7 million in 2020, against DKK 9 million in 2019. The expense result for the year was highly satisfactory in light of the fact that Alm. Brand Pension in 2020 lowered its direct costs to adapt to the current low interest rate environment and continued to have some of the industry's lowest costs for average rate products.

## Reinsurance

Reinsurance expenses came to a net amount of DKK 3 million in 2020, which was unchanged from the 2019 level and marked a satisfactory performance considering the reduction in risk and, by extension, in fluctuations of the company's results from reinsurance.

## Investment return on assets allocated to equity

The return on investment assets allocated to equity was a gain of DKK 1 million. This was better than expected, given the challenging investment environment with negative short-term interest rates, price volatility caused by COVID-19 fears and the fact that the return on assets allocated to equity included interest expenses for subordinated loans with a principal of DKK 150 million.

## Investment return on policyholders' funds

Total investment assets belonging to policyholders amounted to DKK 17.5 billion at 31 December 2019. The investment assets were placed in bonds, equities and property. The return on investment assets belonging to policyholders was just under DKK 1.0 billion before pension return tax, corresponding to a return of 5.8%, against a return of 9.3% in 2019.

From an overall perspective, the return for the year was satisfactory. The investment return was impacted by substantial equity market fluctuations, sustained interest rate declines and major spread fluctuations on credit bonds and emerging market bonds. Equities, properties and bonds produced positive returns.

The property exposure was increased in 2020 through European property funds, ensuring a better risk balance in 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 minus 0.02% at 31 December 2020, against 0.27% at 1 January 2020. The underlying risk-free rate of interest dropped in 2020, while the VA premium only increased by 3 basis points, making for a fall in the aggregate EIOPA yield curve. The interest rate decline had an adverse impact on life insurance provisions, which was partly offset by positive returns on the investment assets, however.

## Life insurance provisions

Total life insurance provisions grew by DKK 0.7 billion to DKK 16.6 billion in 2020, primarily as a result of the investment return achieved for 2020.

### Profit margin

The profit margin increased by DKK 26 million over the year, from DKK 357 million at 1 January 2020 to DKK 382 million at 31 December 2020, driven by increased allocations to life insurance provisions.

### Bonus rate

The total bonus rate was 15.2% at 31 December 2020, against 16.1% at 1 January 2020, marking a slight decline of 0.9 of a percentage point. The dip was due to the interest rate declines in 2020, as a result of which the expected level of return will be lower going forward. The bonus rate remained satisfactory in light of the very low interest rate environment.

New policyholders were placed in interest rate group A, which had a bonus rate of 15.7% at 31 December 2020.

| | Interest rate group A | Interest rate group 0 | Interest rate group 1 | Interest rate group 2 | Interest rate group 3 | Total |
|---|---|---|---|---|---|---|
| Technical rate of interest (% p.a.) | -0.5-0.5 | 0.5-1.5 | 1.5-2.5 | 2.5-3.5 | 3.5-4.5 | |
| Investment assets (DKKbn) | 11.8 | 1.9 | 0.9 | 1.0 | 1.9 | 17.5 |
| Rate on policyholders' savings 2020 (% p.a.) | 2.50 | 2.50 | 5.50 | 5.50 | 6.00 | |
| Rate on policyholders' savings 2021 (% p.a.) | 3.00 | 3.00 | 5.50 | 5.50 | 6.00 | |
| Bonus rate (%) | 15.7 | 10.8 | 21.2 | 11.4 | 15.4 | 15.2 |
| Return (% p.a.) | 6.0 | 6.8 | 9.1 | 3.7 | 3.5 | 5.8 |
| **Distribution of investment assets (%):** | | | | | | |
| Bonds | 72 | 82 | 72 | 84 | 85 | 75 |
| Equities | 15 | 10 | 15 | 6 | 6 | 13 |
| Properties | 13 | 8 | 13 | 10 | 9 | 12 |

# Investment return

| DKKm | Investment assets | Return 2020 | Return 2019 |
|---|---|---|---|
| Bonds | 13,149 | 4.1% | 6.8% |
| Equities | 2,301 | 14.1% | 26.1% |
| Properties | 2,046 | 7.0% | 9.2% |
| **Total** | **17,496** | **5.8%** | **9.3%** |

In aggregate, 12% of the portfolio was placed in high interest rate groups (interest rate groups 2 and 3), pursuing an investment strategy based on a substantial proportion of bonds and financial instruments with a view to striking a healthy balance between the groups' investments and liabilities.

## Major events

**Rate on policyholders' savings for 2021**

In December 2020, Alm. Brand Pension announced that the company will continue to offer one the market's highest rates on policyholders' savings in the coming year. For 2021, the rate on policyholders' savings has been fixed at 3% for new customers.

**New basis for writing business**

The Danish Financial Supervisory Authority has announced that it is considering the size of the maximum technical rate of interest. Already at the end of 2019, Alm. Brand Pension lowered the technical rate of interest for new customers to 0%, but because of the continued low interest rate level, the Danish Financial Supervisory Authority is considering whether the maximum technical rate of interest should be lowered even further. Alm. Brand is prepared for this situation, should it arise, and will continue to be able to offer customers the average rate product at an attractive rate on policyholders' savings.

**The sale of Alm. Brand Bank A/S**

Alm. Brand Bank A/S was sold with effect from 30 November 2020. An agreement has been made with Sydbank, ensuring that the market rate product is offered through Sydbank going forward. ■

# CSR

Alm. Brand's core values are rooted in proper conduct in the way we do business and in the way we interact with the world around us.

For many years, proper conduct has been, and it still is, one of Alm. Brand's core values – proper conduct in the way we think, the way we act and the way we communicate. A natural part of our DNA is therefore that we feel a strong sense of corporate responsibility and want to leave a positive imprint on the world around us. As part of our corporate social responsibility efforts, we work to promote sustainable development and make a favourable impact on society.

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.

Through our CSR policy, we seek to ensure alignment with our historical heritage and the pledge of proper conduct we have made to our customers and to develop our CSR landscape on an ongoing basis to ensure that it is up to date and aligned with changes in society. Alm. Brand's CSR strategy is focused on the environment and climate, social and employee-related matters, anti-corruption and anti-bribery, human rights and socially responsible investment. These focus areas have been chosen because they support Alm. Brand's business.

The full account of our corporate social responsibility efforts for 2020 is provided in Alm. Brand's CSR report, which is available together with the group's CSR policy here.

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

The Committee on Corporate Governance recommends that companies once a year discuss activities to ensure relevant diversity at all management levels in the group.

The Board of Directors of Alm. Brand is focused on promoting diversity, and back 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 encompasses an annual follow-up on the development in the share of men and women in management positions.

The Board of Directors of Alm. Brand consists of 11 members including employee-elected members. At 31 December 2020, four of the 11 board members were women. As the Board of Directors has defined a target stipulating that the share of the under-represented gender must be at least 33%, the gender equality target was met. The full report on diversity in management as well as additional information and policies on the gender composition of management are available **here.** ■

# Capitalisation

## After the sale of Alm. Brand Bank, the Alm. Brand Group calculates the aggregate capital requirement according to the Solvency II legislation.

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 42 and 43.

The capitalisation level is considered sufficient to resist very severe stresses. 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 very serious adverse events over the next 12 months without compromising outstanding customer accounts.

Alm. Brand has defined a target for ordinary dividend corresponding to a payout ratio of at least 70% of the profit for the year after tax. However, such distribution will be subject to an assessment of any increased capital requirement over the following years, either due to planned activities, special risks or a shortfall in earnings.

### TOTAL CAPITAL

The group's total capital was DKK 3,846 million at 31 December 2020, consisting of equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin.

The total capital includes tier 2 capital of DKK 400 million, a profit and risk margin of DKK 613 million and a DKK 24 million deduction of deferred tax assets an intangible assets. Moreover, the total capital is stated after deduction of a dividend of DKK 8.00 per share paid on 8 January 2021 and after deduction of a proposed dividend of DKK 7.00 per share for 2019 and 2020, respectively.

The Solvency II capital elements profit margin and risk margin increase the sensitivity of the total capital. Alm. Brand makes allowance for this sensitivity in the capital planning by investigating the effect on the total capital through a scenario analysis. In Alm. Brand Forsikring, the profit margin stability is analysed and stress-tested by exposing it to a number of negative scenarios. In Alm. Brand Pension, the analysis is based on how large a part of the profit margin may be contained in the bonus potentials in a stress scenario.

### STATUTORY CAPITAL REQUIREMENT

After the sale of Alm. Brand Bank, the Alm. Brand Group calculates the solvency capital requirement according to the Solvency II legislation. Due to its position as major shareholder, Alm. Brand af 1792 is deemed to be the ultimate insurance holding company of the group.

The sale of the bank also meant that both the capital requirement and the required excess capital adequacy have declined, resulting in an extraordinary dividend payout of DKK 1.2 billion at the beginning of January 2021. The solvency capital requirement of the Alm. Brand A/S group has been calculated at DKK 1,214 million, and the excess relative to the statutory capital requirement at year-end 2020 was thus DKK 2,632 million at 31 December 2020.

The total capital of the Alm. Brand A/S parent company was DKK 3,085 million at 31 December 2020. With an aggregate solvency capital requirement of DKK 1,214 million, the excess cover was thus DKK 1,871 million.

#### 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. A partial internal model is 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 is designed to most accurately reflect the risk exposure. The model currently covers all lines except workers' compensation and personal accident, but at the end of Q3 2020, Non-life Insurance submitted an application to the Danish Financial Supervisory Authority for approval of an expansion of the company's partial internal model to also cover these lines.

The effect on the solvency capital requirement will vary depending on the risk scenario and the composition of the portfolio, but at present, and subject to approval by the Danish Financial Supervisory Authority, it will result in a lowering of the total requirement by about DKK 150 million. The effect will be recognised in the capital requirement at the earliest when a decision on the application is available.

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 1,059 million at 31 December 2020.

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 153 million at 31 December 2020. 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 15.2 at 31 December 2020.

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. ■

# 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

Close to 58% 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 corporate governance recommendations. 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 corporate governance recommendations, 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 **here.**

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.

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.

**57.9%**

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.**

### 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.

## Board committees

| Audit committee | Remuneration committee |
|---|---|
| Anette Eberhard (Chair) | Jørgen Hesselbjerg Mikkelsen (Chair) |
| Jørgen Hesselbjerg Mikkelsen | Jan Skytte Pedersen |
| Jan Skytte Pedersen | Anette Eberhard |

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 currently three members elected by the employees. Of the 11 board members, seven are men and four are women. The age, seniority, other directorships and special qualifications of the board members are set forth in the list of directorships on pages 36-41. Pia Laub, 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.

An external consultant assisted in the board evaluation in 2020, which included an evaluation of the qualifications of new board members in combination with the qualifications of the other members of the Board of Directors, an update of the overview of the individual qualifications of all members of the Board of Directors as well as the Board of Directors' cooperation with a newly appointed CEO. 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 12 meetings in 2020. For information on the meeting attendance of each individual board member, see page 30.

Additional information on the group's management and organisational structures is available **here**.

## 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 6 to the financial statements as well as in the company's remuneration report for 2020. Click **here** for more information.

In 2019, the group complied with the remuneration policy described in the 2019 financial statements, and in 2020 it complied with the remuneration policy adopted for 2020.

**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 members of the Management Board are remunerated by way of a salary which is intended to be competitive with similar positions in the financial sector. In addition to this salary, the company provides a pension contribution, and the remuneration also includes a 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. The remuneration report is available **here**.

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 4 June 2020, 3,619 shares were granted at a price of DKK 201,500 for the first half of 2020, and on 3 December 2020, 4,812 shares were granted at a price of DKK 340,256 for the second half of 2020.

In 2020, the Management Board received remuneration in a total amount of DKK 8.9 million including the value of share-based remuneration, pension, etc. The remuneration of the Management Board is adjusted every two years. The Management Board is composed of Rasmus Werner Nielsen, CEO.

### 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

## Board remuneration

| Amount in DKK 1,000 | Alm. Brand A/S Meeting attendance**) | Alm. Brand A/S Remuneration | Audit committee | Special remuneration for Alm. Brand Forsikring A/S | Special remuneration for Alm. Brand Liv og Pension A/S | Alm. Brand Bank A/S | Total*) |
|---|---|---|---|---|---|---|---|
| Jørgen Hesselbjerg Mikkelsen* | 12/12 | 850 | 40 | 40 | 40 | 170 | 1,140 |
| Jan Skytte Pedersen* | 12/12 | 575 | 40 | 40 | 40 | 170 | 865 |
| Anette Eberhard | 12/12 | 300 | 90 | 40 | 40 | 170 | 640 |
| Ebbe Castella (resigned on 28 August 2020) | 7/7 | 197 | | | | 122 | 319 |
| Boris Nørgaard Kjeldsen* | 12/12 | 300 | | | | 170 | 470 |
| Flemming Fuglede Jørgensen* | 10/12 | 300 | | 40 | 40 | | 380 |
| Per Viggo Hasling Frandsen* | 12/12 | 300 | | 40 | 40 | | 380 |
| Karen Sofie Hansen-Hoeck | 12/12 | 300 | | | | | 300 |
| Pia Laub (appointed on 28 August 2020) | 5/5 | 103 | | 8 | 8 | | 119 |
| Brian Egested* | 12/12 | 300 | | | | | 300 |
| Helle Låsby Frederiksen* (resigned on 9 October 2020) | 10/10 | 232 | | | | | 232 |
| Claus Nexø Jensen* | 12/12 | 300 | | | | | 300 |
| Lotte Kathrine Sørensen (appointed on 9 October 2020) | 2/2 | 69 | | | | | 69 |
| Susanne Larsen (resigned on 3 November 2020) | 10/10 | 275 | | | | | 275 |

In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.
* Member of the board of Alm. Brand af 1792 fmba. Alm. Brand af 1792 fmba pays 10% of the remuneration.

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 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 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 and Life Insurance.

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 investment department, which is responsible for calculating the group's financial assets and liabilities.

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 42, Capital and risk management, and note 43, Significant accounting estimates, assumptions and uncertainties.

## WHISTLEBLOWER SCHEME

In 2014, the group set up a whistleblower scheme as part of the implementation of new legislation. Employees can use the whistleblower scheme to anonymously report violations or suspected violations of financial legislation committed by employees or board members of Alm. Brand's companies. Responsibility for the whistleblower scheme rests with the compliance department, which received no reports in 2020.

## ACTIVE OWNERSHIP

Alm. Brand invests in many different asset classes and therefore has a high degree of diversification. As a result, and considering the size of the group, the ownership interest in the individual companies is quite/relatively small. The relatively small ownership interests are therefore not assessed to be sufficient to obtain any actual influence through active ownership. As a general rule, companies which are deemed to breach Alm. Brand's policy on responsible investment will therefore be excluded from the investment universe. For the same reason, voting rights are generally not exercised, as such exercise is deemed to be too cost-intensive compared with the possibility of obtaining any actual influence.

## 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. The full account is available **here**.

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"

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. ■

# Shareholder information

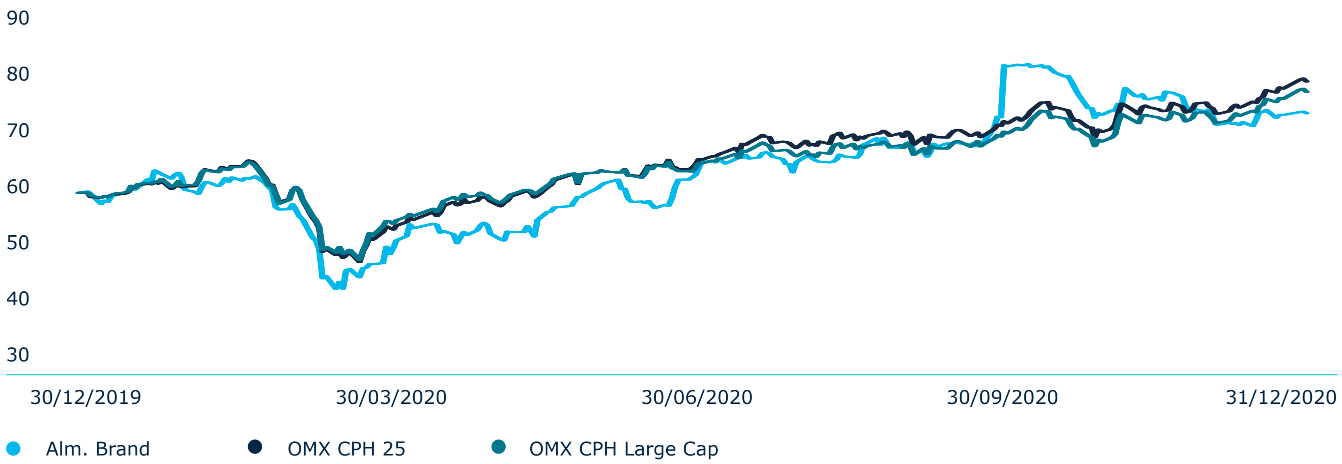
## Alm. Brand's shareholders achieved an overall return of 24% in 2020.

**THE ALM. BRAND SHARE IN 2020**
Alm. Brand is listed on Nasdaq Copenhagen and is a component of the OMX Copenhagen Large Cap index. At 31 December 2020, the share price was DKK 73.4, up by 24.1% relative to the share price at 31 December 2019. Alm. Brand has adhered to the recommendation of the Danish FSA and the European Insurance and Occupational Pensions Authority (EIOPA) to refrain from making any dividend distribution during the year. Accordingly, investors experienced a total appreciation equivalent to the share price increase in 2020. After the end of the financial year, Alm. Brand paid an extraordinary dividend of DKK 8.00 per share on 8 January 2021. By comparison, the OMX Copenhagen Large Cap index produced a return of 30.6% in the period.

At 31 December 2020, Alm. Brand's market capitalisation totalled DKK 11.3 billion, with an average daily turnover of Alm. Brand shares of 163,428 shares in 2020.

## Share price performance 2020

Alm. Brand compared with OMX CPH C25 and OMX Copenhagen Large Cap




**Share capital and ownership**
The company's nominal share capital amounted to DKK 1,541,140,000 at 31 December 2020, divided into shares of DKK 10 each, equivalent to 154,114,000 shares. Each share represents one vote.

Since 2015, the company has used share buyback programmes as part of its total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 58%. At 12 March 2020, Alm. Brand completed a share buyback programme of DKK 200 million. No new share buyback programme was initiated.

At 31 December 2020, Alm. Brand held a total of 227,004 treasury shares, equivalent to 0.1% of the share capital.

At 31 December 2019, Alm. Brand held a total of 3,338,002 treasury shares, equivalent to 2.1% of the share capital.

The company's master data at Nasdaq Copenhagen are as follows:

## Share information

| | |
|---|---|
| Share capital | DKK 1,541,140,000 |
| No. of shares (of DKK 10 each) | 154,114,000 |
| Share classes | 1 |
| Restrictions on transferability and voting rights | None |
| Stock exchange | Nasdaq Copenhagen |
| Ticker | ALMB |
| ISIN | DK0015250344 |

### Authorisations relating to the share capital
The Board of Directors is authorised, subject to certain specified limits, to increase the share capital in one or more issues by up to a total nominal amount of DKK 236,490,000. The authorisation is valid until 29 April 2025.

### Ownership
Alm. Brand A/S is a subsidiary of the limited liability association Alm. Brand af 1792 fmba, whose ownership interest of just under 58% at 31 December 2020 makes it the only shareholder with a shareholding of more than 5%. Alm. Brand is not aware of any other shareholders holding an ownership interest of more than 5%.

Alm. Brand has a total of some 14,500 shareholders, and the free float is approximately 42%.

Danish investors make up the largest group of shareholders, holding in aggregate about 75% of the free float.

### Dividend
The Board of Directors proposes that a dividend of DKK 4.00 per share be paid for the 2020 financial year.

The Board of Directors further proposes that the postponed dividend for the 2019 financial year of DKK 3.00 per share be paid as well.

Accordingly, the total amount of dividend for payment after the annual general meeting is expected to be DKK 7.00 per share.

The proposed dividend per share adds up to a total dividend payout of DKK 1,079 million.

### Investor relations policy
Alm. Brand aims to communicate in an accurate, relevant and timely manner with equity market stakeholders in order to ensure that all investors have equal and adequate access for trading and pricing of the company's shares to be effected on a fully informed basis.

## Geographical breakdown

- 68% Denmark
- 4% Nordics excluding Denmark
- 22% Europe excluding Nordics
- 6% USA
- 1% Other

## Shareholdings

| | No. of shares held 31 Dec. 2019 | | No. of shares held 31 Dec. 2020 | |
|---|---|---|---|---|
| | Personally | Related parties | Personally | Related parties |
| **Board of Directors** | | | | |
| Jørgen H. Mikkelsen, Chairman | 141,469 | 145,139 | 149,969 | 145,139 |
| Jan Skytte Pedersen, Deputy Chairman | 12,000 | - | 12,000 | 8,000 |
| 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 | - |
| Pia Laub | - | - | 3,473 | - |
| Claus Nexø Jensen | 7,261 | 1,345 | 5,444 | 1,345 |
| Brian Egested | 993 | - | 1,548 | - |
| Lotte Kathrine Sørensen | 200 | - | 200 | - |
| **Management Board** | | | | |
| Rasmus Werner Nielsen | 20,465 | 57 | 34,154 | 57 |

The management of Alm. Brand prioritises meeting with investors and analysts on a regular basis, and in connection with the release of financial statements, management and the investor relations department participate in a number of meetings with both Danish and international investors.

Alm. Brand's investor relations website, investorrelations.almbrand.dk https://investorrelations.almbrand.dk, contains all official company announcements, financial statements, investor presentations, the financial calendar, corporate governance documents and other material.

Alm. Brand observes a three-week silent period before the release of full-year and interim financial reports, ceasing all communications to the equity market during that period.

### Analyst coverage

The Alm. Brand share is currently covered by four analysts.

### Contact

Day-to-day contact with investors and analysts is handled by:

**Mikael Bo Larsen,**
**Senior Investor Relations Officer**
Tel. +45 51 43 80 02
E-mail: abmela@almbrand.dk

### Annual general meeting

The annual general meeting of Alm. Brand A/S will be held on 26 April 2021.

## Analyst coverage

| | |
|---|---|
| Carnegie | Martin Gregers Birk |
| Danske Bank | Asbjørn Nicholas Mørk |
| Nykredit | Ricky Steen Rasmussen |
| SEB | Per Grønborg |

## Financial calendar 2020

| | |
|---|---|
| 26 April 2021 | Annual general meeting |
| 6 May 2021 | Release of Q1 2021 interim report |
| 19 August 2021 | Release of H1 2021 interim report |
| 4 November 2021 | Release of Q3 2021 interim report |

# 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 statement
Investments

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Chairman**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Chairman**<br>Danish Agro A.m.b.a<br>Danish Agro Finance A/S |
| | **Deputy Chairman**<br>Dan Agro Holding A/S |
| | **Member**<br>DanHatch Holding A/S<br>Hesselbjerg Agro A/S<br>Vilomix International Holding A/S<br>DV International Holding A/S<br>Landbrug og Fødevarer f.m.b.a<br>Danish Agro Machinery Holding A/S<br>Dava Foods Holding A/S<br>Sjællandske Medier A/S and subsidiaries |
| MANAGER | JHM 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 statement
Investments

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Deputy Chairman**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Chairman**<br>Herm. Rasmussen A/S<br>Herm. Rasmussen A/S Erhvervsejendomme<br>Herm. Rasmussen A/S Malerforretning<br>Ringvejens Autolakereri A/S |
| | **Member**<br>Herm. Rasmussen A/S Holding<br>Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab<br>Silkeborg Fodbold College<br>Fabrikant Michael Sørensens Fond<br>Ejendomsselskabet Lysbroengen P/S<br>Rederiet Viking P/S<br>Søfronten Herning P/S |
| MANAGER | Herm. Rasmussen A/S Holding<br>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**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |
| MANAGER | Dansk Agrodrift ApS<br>E.A.R.L. Villejovet |
| | National chairman of Landsforeningen for 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**<br>Alm. Brand A/S |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Chairman**<br>Madkulturen (institution under the Ministry of Environment and Food of Denmark) |
| | **Member**<br>Danske Spil A/S<br>Softline A/S<br>Fairtrade Mærket Danmark Fonden<br>Connecting Food Holding ApS |
| MANAGER | Connecting Food Holding ApS<br>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 statement
Investments

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Member**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Chairman**<br>Kemp & Lauritzen A/S<br>Glentco-Legatfonden |
| | **Deputy Chairman**<br>EjendomDanmark |
| | **Member**<br>Benny Johansen & Sønner A/S<br>DAVISTA Komplementarselskab A/S<br>DAVISTA K/S<br>AG Gruppen A/S and wholly-owned subsidiaries |
| MANAGER | DADES A/S (managing director) and wholly-owned subsidiaries<br>DAVISTA Komplementarselskab A/S<br>DAVISTA K/S |

## 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 statement
Investments

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Member**<br>Alm. Brand A/S |
| MANAGER | IIP Denmark P/S (managing director)<br>IIP Denmark GP ApS<br>PKA Private Funds III GP ApS<br>SEEKEE ApS<br>PKA Venture I GP ApS<br>PKA Private Funds IV GP ApS |

## 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**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Chairman**<br>"Sia" Per Frandsen Latvia |

## Pia Laub

Professional board member, born in 1969 and appointed in 2020.

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 statement
Investments

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Member**<br>Alm. Brand A/S |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Member**<br>The Danish National Center for Grief<br>Ny Carlsberg Glyptotek |

## Lotte Kathrine Sørensen (employee representative)

Staff association chair, born in 1974 and appointed in 2020.

SPECIAL QUALIFICATIONS

| | |
|---|---|
| | Experience from the Alm. Brand Group's customer segments |

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Chairman**<br>Staff association of Alm. Brand Forsikring A/S |
| | **Member**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S |

## 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 | **Chairman**<br>Assurandørforeningen (association of tied agents) at Alm. Brand |
| | **Member**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Member**<br>Finansforbundet (Financial Services Union in Denmark) - Tied Agents |

## 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 | **Chairman**<br>Alm. Brand Chefforeningen (association of managers) |
| | **Member**<br>Alm. Brand af 1792 fmba<br>Alm. Brand A/S<br>Alm. Brand Fond |

# Management Board

## Rasmus Werner Nielsen

Chief Executive Officer, born in 1969 and employed with Alm. Brand since 2017.

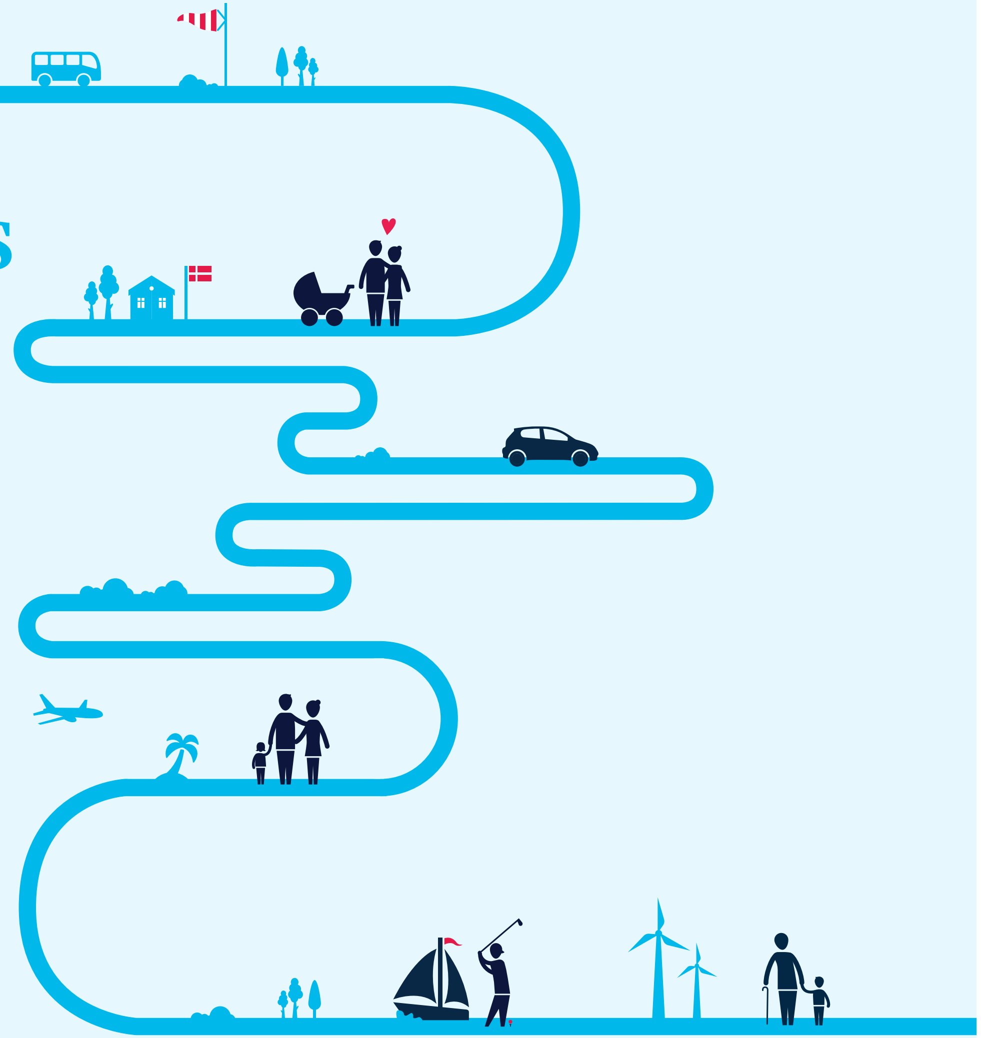
Chief Executive Officer since October 2019.

DIRECTORSHIPS

| | |
|---|---|
| DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP | **Chairman**<br>Alm. Brand Forsikring A/S<br>Forsikringsselskabet Alm. Brand Liv og Pension A/S<br>Alm. Brand Præmieservice A/S<br>Alm. Brand Ejendomsinvest A/S<br>Alm. Brand PIA A/S<br>Pensionskassen under Alm. Brand A/S (appointed by the Management Board) |
| CHIEF EXECUTIVE OFFICER | Alm. Brand af 1792 fmba<br>Alm. Brand A/S |
| DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP | **Member**<br>Forsikring & Pension |

# 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 2020.

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 2020 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 2020.

In our opinion, the management's review contains a fair review of developments in the group's and the parent company's activities and financial position and 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, 3 March 2021

**Rasmus Werner Nielsen**
Chief Executive Officer

## Board of Directors

Copenhagen, 3 March 2021

**Jørgen Hesselbjerg Mikkelsen**
Chairman

**Jan Skytte Pedersen**
Deputy Chairman

**Anette Eberhard**

**Per Viggo Hasling Frandsen**

**Karen Sofie Hansen-Hoeck**

**Flemming Fuglede Jørgensen**

**Boris Nørgaard Kjeldsen**

**Pia Laub**

**Brian Egested**

**Claus Nexø Jensen**

**Lotte Kathrine Sørensen**

# INDEPENDENT AUDITOR'S 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 1 January to 31 December 2020, which comprise the income state-ment, 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 for the Parent, and the consolidated cash flow statement and segment information. 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 December 2020 and of its financial performance and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2020 and of its financial performance for the financial year 1 January to 31 December 2020 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the addi-tional 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 inde-pendent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these require-ments. 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 before 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 25 years up to and including the financial year 2020.

**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 1 January to 31 December 2020. 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.

**Outstanding claims, life insurance provisions and profit margin on life insurances**

The calculation of outstanding claims, life insurance provisions and profit margin on life insurances is complex and to a significant extent subject to accounting estimation that is based on management judgements and assumptions about future events. Auditing outstanding claims, life insurance provisions and profit margin on life insurances are therefore key audit matters.

Outstanding claims, life insurance provisions and profit margin on life insurances amounted to DKK 22,207 million at 31 December 2020 (DKK 21,144 million at 31 December 2019), refer to note 23 to the consolidated financial statements.

Management has specified the principles for determining provisions for insurance contracts in "Summary of significant accounting policies", note 44 pages 110-119, and the related significant accounting estimates and judgements, assumptions and uncertainties in note 43, pages 108-109, and specified the insurance provisions in note 23, pages 75-80 to the consolidated financial statements.

We believe that the most significant risks relate to the following elements that are either particularly complex and/or highly subject to management judgement:

- Changes in methods, models and data ap-plied
- Determination of expectations for future:
  - Claims incurred related to outstanding claims provisions
  - Cash flows, including determination of profit margin on life insurances.

- Determination of expectations for mortality and disability
- Management add-ons for actuarial calculations to mitigate the risk of adverse developments in claims for damages related to outstanding claims provisions.

**How the matter was addressed in our audit**
Based on our risk assessment, we have audited Management's measurement of the statement of outstanding claims, life insurance provisions and profit margin on life insurances.

Our audit procedures included the following elements, where we also made use of our internationally qualified actuaries:

- Assessing and testing key controls related to claims handling processes and to recognition and measurement of outstanding claims, life insurance provisions and profit margin on life insurances
- Challenging the assumptions, methods and models applied by using our industry knowledge and experience, focusing on changes since last year
- Random testing of the changes to the "Valuation" provisions program related to life insurance provisions and profit margin on life insurances
- Testing the accuracy and completeness of data used to calculate outstanding claims, life insurance provisions and profit margin on life insurances
- Assessing the basis and process for defining assumptions underlying the calculation of the profit margin on life insurance provisions
- Recalculating outstanding claims provisions for selected non-life insurance industries by using portfolio data, including assessing management add-ons.

Based on our procedures, we did not identify any material exceptions and consider Management's assumptions and methods and models applied to calculate outstanding claims, life insurance provisions and profit margin on life insurances to be within a reasonable range of accounting estimates.

**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 or 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 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, disclos-ing, as applicable, matters related to going concern and using the going concern basis of accounting 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 it is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and the 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 preparing the consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events and 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents 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 oth-er 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
CVR-nr. 33 96 35 56

København, 3. marts 2021

**Anders Oldau Gjelstrup**
Statsautoriseret revisor
MNE-nr. 10777

**Brian Schmit Jensen**
Statsautoriseret revisor
MNE-nr. 40050

# Income statement

| | | Group | |
|---|---|---|---|
| **DKKm** | **Note** | **2020** | **2019** |
| **Income statement** | | | |
| **Income** | | | |
| Premium income | 1 | 6,975 | 7,215 |
| Interest income, etc. | 2 | 366 | 448 |
| Other income from investment activities | 3 | 6 | 6 |
| Other income | | 5 | 0 |
| **Total income** | | **7,352** | **7,669** |
| | | | |
| **Costs** | | | |
| Claims expenses | 4 | -4,891 | -4,671 |
| Interest expenses | 5 | -14 | -29 |
| Other expenses from investment activities | | -194 | -141 |
| Acquisition costs and administrative expenses | 6 | -973 | -998 |
| **Total costs** | | **-6,072** | **-5,839** |
| | | | |
| Profit/loss from business ceded | 7 | -196 | -250 |
| Change in life insurance provisions | | -700 | -1,772 |
| Change in profit margin | | -26 | 70 |
| Value adjustments | 8 | 639 | 895 |
| Tax on pension investment returns | 9 | -134 | -186 |
| **Profit/loss before tax, continuing activities** | | **863** | **587** |
| Tax, continuing activities | 10 | -197 | -120 |
| **Profit/loss after tax, continuing activities** | | **666** | **467** |
| Profit/loss after tax, discontinuing activities | 41 | -50 | -15 |
| **Profit/loss after tax** | | **616** | **452** |
| | | | |
| Earnings per share, DKK, continuing activities | | 4.3 | 3.0 |
| Diluted earnings per share, DKK, continuing activities | | 4.3 | 3.0 |
| Earnings per share, DKK | | 4.0 | 2.9 |
| Diluted earnings per share, DKK | | 4.0 | 2.9 |

# Statement of comprehensive income

| | | Group | |
|---|---|---|---|
| DKKm | Note | 2020 | 2019 |
| **Comprehensive income** | | | |
| Profit/loss for the year | | 616 | 452 |
| *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 | | 4 | 41 |
| Transferred to collective bonus potential | | -2 | -41 |
| Tax on other comprehensive income | | 0 | 0 |
| **Total other comprehensive income** | | **2** | **0** |
| **Total comprehensive income** | | **618** | **452** |

# Balance sheet as at 31 December

| DKKm | Note | Group 2020 | Group 2019 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 11 | 9 | 187 |
| Owner-occupied properties | 12 | 743 | 752 |
| Deferred tax assets | 13 | 0 | 0 |
| Reinsurers' share of insurance contracts | 14 | 222 | 170 |
| Current tax assets | 15 | 0 | 45 |
| Other assets | 16 | 861 | 1,777 |
| Loans and advances | 17 | 738 | 5,514 |
| Investment properties | 18 | 790 | 750 |
| Investment assets | 19 | 28,893 | 31,567 |
| Balances due from credit institutions and central banks | 20 | 0 | 792 |
| Cash in hand and balances at call | | 524 | 244 |
| **Total assets** | | **32,780** | **41,798** |
| | | | |
| **Liabilities and equity** | | | |
| Share capital | | 1,541 | 1,577 |
| Reserves, retained earnings, etc. | | 2,547 | 2,539 |
| Proposed dividend | | 1,079 | 460 |
| **Consolidated shareholders' equity** | 21 | **5,167** | **4,576** |
| | | | |
| Subordinated debt | 22 | 400 | 575 |
| Provisions for insurance contracts | 23 | 24,698 | 23,593 |
| Other provisions | 24 | 16 | 41 |
| Deferred tax liabilities | 13 | 0 | 55 |
| Issued bonds | 25 | 152 | 0 |
| Current tax liabilities | 15 | 5 | 0 |
| Other liabilities | 26 | 1,424 | 1,628 |
| Deposits | 27 | 0 | 10,492 |
| Payables to credit institutions and central banks | 28 | 918 | 838 |
| **Total liabilities and equity** | | **32,780** | **41,798** |

# 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 2019** | **1,610** | **182** | **0** | **1,215** | **1,271** | **470** | **4,748** |
| **Changes in shareholders' equity 2019:** | | | | | | | |
| Profit/loss for the year | | | | | 452 | 0 | 452 |
| Reversed revaluation of owner-occupied properties | | | 41 | | 0 | | 41 |
| Transferred to collective bonus potential | | | -41 | | 0 | | -41 |
| Comprehensive income | 0 | 0 | 0 | 0 | 452 | 0 | 452 |
| Cancellation of treasury shares | -33 | | | | 33 | | 0 |
| Proposed dividend | | | | | -460 | 460 | 0 |
| Dividende distributed | | | | | 3 | -470 | -467 |
| Share option scheme, exercise | | | | | 33 | | 33 |
| Purchase and sale of treasury shares | | | | | -190 | | -190 |
| **Changes in shareholders' equity** | **-33** | **0** | **0** | **0** | **-129** | **-10** | **-172** |
| **Shareholders' equity at 31 December 2019** | **1,577** | **182** | **0** | **1,215** | **1,142** | **460** | **4,576** |
| **Shareholders' equity at 1 January 2020** | **1,577** | **182** | **0** | **1,215** | **1,142** | **460** | **4,576** |
| **Changes in shareholders' equity 2020:** | | | | | | | |
| Profit/loss for the year | | | | | 616 | 0 | 616 |
| Reversed revaluation of owner-occupied properties | | | 4 | | 0 | | 4 |
| Transferred to collective bonus potential | | | -2 | | 0 | | -2 |
| Comprehensive income | 0 | 0 | 2 | 0 | 616 | 0 | 618 |
| Cancellation of treasury shares | -36 | | | | 36 | | 0 |
| Proposed dividend | | | | | -1,079 | 1,079 | 0 |
| Cancellation of proposed dividend | | | | | 460 | -460 | 0 |
| Capital movements in subsidiaries | | | | | 3 | | 3 |
| Share option scheme, exercise | | | | | 11 | | 11 |
| Purchase and sale of treasury shares | | | | | -41 | | -41 |
| **Changes in shareholders' equity** | **-36** | **0** | **2** | **0** | **6** | **619** | **591** |
| **Shareholders' equity at 31 December 2020** | **1,541** | **182** | **2** | **1,215** | **1,148** | **1,079** | **5,167** |

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

| DKKm | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Premiums received | 6,792 | 7,080 |
| Claims paid | -4,485 | -4,404 |
| Dividends received | 42 | 42 |
| Interest, etc. received | 318 | 382 |
| Payments concerning reinsurance | -252 | -269 |
| Expenses paid | -1,239 | -1,103 |
| Tax on pension investment returns paid | -89 | -82 |
| Taxes paid/received | -162 | -205 |
| **Cash flows from operating activities, continuing activities** | **925** | **1,441** |
| Cash flows from operating activities, discontinuing activities | 297 | -12 |
| **Cash flows from operating activities** | **1,222** | **1,429** |
| | | |
| **Change in investment placement (net)** | | |
| Acquisition of intangible assets, furniture, equipment, etc. | -1 | 0 |
| Properties acquired or converted | 4 | -38 |
| Sale/acquisition of equity investments | -542 | 301 |
| Sale/repayment of mortgage deeds and loans | -53 | 101 |
| Sale/purchase of bonds | -519 | -1,536 |
| **Change in investment placement, continuing activities** | **-1,111** | **-1,172** |
| Change in investment placement, discontinuing activities | 2,353 | -282 |
| **Change in investment placement** | **1,242** | **-1,454** |

| Group | 2020 | 2019 |
|---|---|---|
| **Change in financing** | | |
| Sale/purchase of treasury shares and cost related to share issue | -29 | -157 |
| Dividende distributed | 0 | -368 |
| Change in deposits | 332 | -150 |
| Change in payables to credit institutions | 246 | 414 |
| Change in other liabilities | 150 | -8 |
| **Change in financing, continuing activities *)** | **699** | **-269** |
| Change in financing, discontinuing activities *) | -652 | 237 |
| **Change in financing** | **47** | **-32** |
| | | |
| Net change in cash and cash equivalents, continuing activities | 513 | 0 |
| Net change in cash and cash equivalents, discontinuing activities | 1,998 | -57 |
| **Net changes in cash and cash equivalents** | **2,511** | **-57** |
| **Disposals relating to divestment** | **-3,023** | **0** |
| | | |
| Cash and cash equivalents beginning of year | 1,036 | 1,093 |
| **Cash and cash equivalents, year end** | **524** | **1,036** |
| | | |
| *Cash and cash equivalents comprise the following items:* | | |
| Cash in hand and balances at call | 524 | 244 |
| Balances due from credit institutions and central banks, see note 20 | 0 | 792 |
| **Cash and cash equivalents, year end** | **524** | **1,036** |

*) The amount of DKK 699 million consists only of cash inflows og outflows.

# Segment reporting, income statement

| DKKm | Note | Non-life | Life | Other | Elimination | Total |
|---|---|---|---|---|---|---|
| | | | | | | **2020** |
| **Income** | | | | | | |
| Premiums | 1 | 5,471 | 1,504 | 0 | | 6,975 |
| Interest income, etc. | 2 | 136 | 228 | 7 | -5 | 366 |
| Other income from investment activities | 3 | 0 | 66 | 0 | -60 | 6 |
| Other income | | 0 | 0 | 5 | | 5 |
| **Total income** | | **5,607** | **1,798** | **12** | **-65** | **7,352** |
| **Costs** | | | | | | |
| Claims expenses | 4 | -3,537 | -1,354 | 0 | | -4,891 |
| Interest expenses | 5 | -7 | -4 | -8 | 5 | -14 |
| Other expenses from investment activities | | -28 | -38 | -149 | 21 | -194 |
| Acquisition costs and administrative expenses | 6 | -926 | -107 | 0 | 60 | -973 |
| **Total costs** | | **-4,498** | **-1,503** | **-157** | **86** | **-6,072** |
| Profit/loss from business ceded | 7 | -193 | -3 | 0 | | -196 |
| Change in life insurance provisions | | 0 | -702 | 0 | 2 | -700 |
| Change in profit margin | | 0 | -26 | | | -26 |
| Value adjustments | 8 | -36 | 682 | -14 | 7 | 639 |
| Tax on pension investment returns | 9 | 0 | -134 | 0 | | -134 |
| **Profit/loss before tax, continuing activities** | | **880** | **112** | **-159** | **30** | **863** |
| Tax, continuing activities | 10 | -198 | -25 | 33 | -7 | -197 |
| **Profit/loss after tax, continuing activities** | | **682** | **87** | **-126** | **23** | **666** |
| Profit/loss after tax, discontinuing activities | | | | -27 | -23 | -50 |
| **Profit/loss after tax** | | **682** | **87** | **-153** | **0** | **616** |

# Segment reporting, income statement

| DKKm | Note | Non-life | Life | Other | Elimination | Total |
|---|---|---|---|---|---|---|
| | | | | | | 2019 |
| **Income** | | | | | | |
| Premiums | 1 | 5,365 | 1,850 | 0 | | 7,215 |
| Interest income, etc. | 2 | 202 | 248 | 3 | -5 | 448 |
| Other income from investment activities | 3 | 0 | 70 | 0 | -64 | 6 |
| **Total income** | | **5,567** | **2,168** | **3** | **-69** | **7,669** |
| **Costs** | | | | | | |
| Claims expenses | 4 | -3,637 | -1,034 | 0 | | -4,671 |
| Interest expenses | 5 | -19 | -6 | -8 | 4 | -29 |
| Other expenses from investment activities | | -27 | -41 | -96 | 23 | -141 |
| Acquisition costs and administrative expenses | 6 | -956 | -106 | 0 | 64 | -998 |
| **Total costs** | | **-4,639** | **-1,187** | **-104** | **91** | **-5,839** |
| Profit/loss from business ceded | 7 | -246 | -4 | 0 | | -250 |
| Change in life insurance provisions | | 0 | -1,813 | 0 | 41 | -1,772 |
| Change in profit margin | | 0 | 70 | 0 | | 70 |
| Value adjustments | 8 | -119 | 1,043 | 0 | -29 | 895 |
| Tax on pension investment returns | 9 | 0 | -186 | 0 | | -186 |
| **Profit/loss before tax, continuing activities** | | **563** | **91** | **-101** | **34** | **587** |
| Tax, continuing activities | 10 | -127 | -9 | 23 | -7 | -120 |
| **Profit/loss after tax, continuing activities** | | **436** | **82** | **-78** | **27** | **467** |
| Profit/loss after tax, discontinuing activities | | | | 12 | -27 | -15 |
| **Profit/loss after tax** | | **436** | **82** | **-66** | **0** | **452** |

For additional segment information, see Note 31 Segment reporting, Non-life Insurance.

# Segment reporting, balance sheet

| DKKm | Note | Non-life | Life | Banking | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | **2020** |
| **Assets** | | | | | | | |
| Intangible assets | 11 | 9 | 0 | 0 | 0 | | 9 |
| Owner-occupied properties | 12 | 0 | 0 | 0 | 0 | 743 | 743 |
| Deferred tax assets | 13 | 25 | 0 | 0 | 0 | -25 | 0 |
| Reinsurers' share of insurance contracts | 14 | 195 | 27 | 0 | 0 | | 222 |
| Current tax assets | 15 | 0 | 0 | 0 | 14 | -14 | 0 |
| Other assets | 16 | 653 | 191 | 0 | 628 | -611 | 861 |
| Loans and advances | 17 | 641 | 0 | 0 | 97 | 0 | 738 |
| Investment properties | 18 | 0 | 1,533 | 0 | 0 | -743 | 790 |
| Investment assets | 19 | 10,028 | 17,240 | 0 | 1,632 | -7 | 28,893 |
| Cash in hand and balances at call | | 259 | 193 | 0 | 72 | 0 | 524 |
| **Total assets** | | **11,810** | **19,184** | **0** | **2,443** | **-657** | **32,780** |
| **Liabilities and equity** | | | | | | | |
| Share capital | | 0 | 0 | 0 | 1,541 | | 1,541 |
| Reserves, retained earnings, etc. | | 2,058 | 663 | 0 | -1,274 | 1,100 | 2,547 |
| Proposed dividend | | 1,050 | 50 | 0 | 1,079 | -1,100 | 1,079 |
| **Consolidated shareholders' equity** | 21 | **3,108** | **713** | **0** | **1,346** | **0** | **5,167** |
| Subordinated debt | 22 | 150 | 150 | 0 | 250 | -150 | 400 |
| Provisions for insurance contracts | 23 | 7,754 | 16,944 | 0 | 0 | | 24,698 |
| Other provisions | 24 | 16 | 0 | 0 | 0 | | 16 |
| Deferred tax liabilities | 13 | 0 | 7 | 0 | 18 | -25 | 0 |
| Current tax liabilities | 15 | 19 | 0 | 0 | 0 | -14 | 5 |
| Other liabilities | 26 | 656 | 559 | 0 | 677 | -468 | 1,424 |
| Payables to credit institutions and central banks | 28 | 107 | 811 | 0 | 0 | 0 | 918 |
| **Total liabilities and equity** | | **11,810** | **19,184** | **0** | **2,443** | **-657** | **32,780** |

Alm. Brand Bank A/S was sold and transferred to Sydbank with effect from 30 November 2020. The bank is therefore not included in the consolidation for the group in 2020.

# Segment reporting, balance sheet

| DKKm | Note | Non-life | Life | Banking | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | **2019** |
| **Assets** | | | | | | | |
| Intangible assets | 11 | 0 | 0 | 187 | 0 | | 187 |
| Owner-occupied properties | 12 | 0 | 0 | 9 | 0 | 743 | 752 |
| Deferred tax assets | 13 | 47 | 0 | 0 | 0 | -47 | 0 |
| Reinsurers' share of insurance contracts | 14 | 148 | 22 | 0 | 0 | | 170 |
| Current tax assets | 15 | 6 | 0 | 27 | 22 | -10 | 45 |
| Other assets | 16 | 546 | 222 | 1,170 | 234 | -395 | 1,777 |
| Loans and advances | 17 | 803 | 0 | 4,813 | 0 | -102 | 5,514 |
| Investment properties | 18 | 6 | 1,470 | 17 | 0 | -743 | 750 |
| Investment assets | 19 | 8,927 | 16,420 | 6,223 | 3 | -6 | 31,567 |
| Balances due from credit institutions and central banks | 20 | 0 | 0 | 792 | 0 | | 792 |
| Cash in hand and balances at call | | 238 | 105 | 232 | 1 | -332 | 244 |
| **Total assets** | | **10,721** | **18,239** | **13,470** | **260** | **-892** | **41,798** |
| **Liabilities and equity** | | | | | | | |
| Share capital | | 0 | 0 | 0 | 1,577 | | 1,577 |
| Reserves, retained earnings, etc. | | 2,026 | 626 | 1,896 | -2,409 | 400 | 2,539 |
| Proposed dividend | | 400 | 0 | 0 | 460 | -400 | 460 |
| **Consolidated shareholders' equity** | 21 | **2,426** | **626** | **1,896** | **-372** | **0** | **4,576** |
| Subordinated debt | 22 | 150 | 150 | 175 | 250 | -150 | 575 |
| Provisions for insurance contracts | 23 | 7,375 | 16,218 | 0 | 0 | | 23,593 |
| Other provisions | 24 | 18 | 0 | 23 | 0 | | 41 |
| Deferred tax liabilities | 13 | 0 | 3 | 62 | 37 | -47 | 55 |
| Current tax liabilities | 15 | 0 | 10 | 0 | 0 | -10 | 0 |
| Other liabilities | 26 | 565 | 646 | 323 | 345 | -251 | 1,628 |
| Deposits | 27 | 0 | 0 | 10,824 | 0 | -332 | 10,492 |
| Payables to credit institutions and central banks | 28 | 187 | 586 | 167 | 0 | -102 | 838 |
| **Total liabilities and equity** | | **10,721** | **18,239** | **13,470** | **260** | **-892** | **41,798** |

# Overview of notes

## *Notes with reference*



## *Notes without reference*

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 1 Premium income** | | |
| Gross premiums | 6,974 | 7,235 |
| Change in unearned premium provisions | 1 | -20 |
| **Total premium income** | **6,975** | **7,215** |
| Direct insurance is exclusively written in Denmark | | |
| | | |
| *Premium income, Life Insurance* | | |
| Regular premiums | 819 | 803 |
| Single premiums | 685 | 1,047 |
| Total premium income, Life Insurance | 1,504 | 1,850 |
| | | |
| Individually written insurance | 665 | 848 |
| Insurance written in employment relationship | 596 | 766 |
| Group life schemes | 243 | 236 |
| Total premium income, Life Insurance | 1,504 | 1,850 |
| | | |
| *Number of policies (1,000)* | | |
| Individually written insurance | 52 | 54 |
| Insurance written in employment relationship | 8 | 8 |
| Group life schemes | 62 | 64 |

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

| | 2020 | 2019 |
|---|---|---|
| **Note 2 Interest income, etc.** | | |
| Equity investments | 42 | 42 |
| Bonds | 224 | 249 |
| Loans secured by mortgages | 43 | 98 |
| Deposits in credit institutions | 3 | 2 |
| Other investment assets | 54 | 57 |
| **Total interest income, etc.** | **366** | **448** |
| | | |
| *Interest income in connection with genuine purchase and resale* transactions: | | |
| Balances due from credit institutions and central banks | | 3 |
| Other debtors | | 0 |
| | | |
| **Note 3 Other income from investment activities** | | |
| Rental income | 27 | 28 |
| Operation and maintenance - occupied leases | -13 | -13 |
| Operation and maintenance - vacant leases | -8 | -9 |
| **Total other income from investment activities** | **6** | **6** |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 4 Claims expenses** | | |
| Claims paid | -4,600 | -4,552 |
| Change in outstanding claims provisions | -291 | -119 |
| **Total claims expenses** | **-4,891** | **-4,671** |
| | | |
| Run-off result, claims | 96 | 67 |
| Run-off result, risk margin | 46 | 66 |
| Run-off result, ceded business | 17 | 10 |
| Run-off result, net | 159 | 143 |

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 | -76 | -86 |
| Insurance sums on critical illness | -24 | -24 |
| Insurance sums on disability | -6 | -5 |
| Insurance sums on expiry | -93 | -80 |
| Pension and annuity benefits | -289 | -294 |
| Surrenders | -707 | -405 |
| Cash bonus payments | -159 | -140 |
| Total claims and benefits, Life Insurance | -1,354 | -1,034 |

| | | |
|---|---|---|
| **Note 5 Interest expenses** | | |
| Subordinated debt | -8 | -9 |
| Other interest expenses | -12 | -20 |
| Discounting insurance contracts | 6 | 0 |
| **Total interest expenses** | **-14** | **-29** |

| | 2020 | 2019 |
|---|---|---|
| *Interest expenses arising from genuine purchase and resale transactions:* | | |
| Payables to credit institutions and central banks | | 0 |
| Deposits and other payables | | 0 |

| | | |
|---|---|---|
| **Note 6 Acquisition costs and administrative expenses** | | |
| Acquisition commission | -161 | -168 |
| Other acquisition costs | -604 | -598 |
| Administrative expenses | -208 | -232 |
| **Total acquisition costs and administrative expenses** | **-973** | **-998** |
| | | |
| Salaries and wages | 1,096 | 1,190 |
| Pension | 174 | 180 |
| Payroll tax, etc. | 178 | 182 |
| Share-based payment | 4 | 5 |
| Total salaries and wages, pension, etc. | 1,452 | 1,557 |

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

| | | |
|---|---|---|
| Average number of employees | 1,690 | 1,796 |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| *Remuneration to the Management Board and Board of Directors (DKK '000)* | | |
| Salaries and wages | 6,987 | 33,511 |
| Pension plans | 1,405 | 5,448 |
| Share-based payment | 545 | 876 |
| Total remuneration to the Management Board | 8,937 | 39,835 |
| Directors' fees | 5,465 | 5,597 |
| Total remuneration to the Management Board and Board of Directors | 14,402 | 45,432 |
| | | |
| *Alm. Brand Group remuneration to the Board of Directors (DKK '000)* | | |
| Jørgen Hesselbjerg Mikkelsen (Chairman) | 1,140 | 1,155 |
| Jan Skytte Pedersen (Deputy Chairman) | 865 | 880 |
| Anette Eberhard | 640 | 655 |
| Ebbe Castella (retired in 2020) | 319 | 485 |
| Boris Nørgaard Kjeldsen | 470 | 485 |
| Per Viggo Hasling Frandsen | 380 | 380 |
| Karen Sofie Hansen-Hoeck | 300 | 300 |
| Flemming Fuglede Jørgensen | 380 | 380 |
| Brian Egested (employee representative) | 300 | 300 |
| Helle Låsby Frederiksen (employee representative, retired in 2020) | 232 | 300 |
| Susanne Larsen (employee representative, retired in 2020) | 275 | 300 |
| Claus Nexø Jensen (employee representative) | 300 | 300 |
| Lotte Kathrine Sørensen (employee representative, joined in 2020) | 69 | 0 |
| Pia Laub (employee representative, joined in 2020) | 119 | 0 |
| Total remuneration to the Board of Directors | 5,789 | 5,920 |
| | | |
| No. of members of the Management Board | 1 | 1 |
| No. of members of the Board of Directors | 11 | 12 |

Remuneration to the Management Board comprises remuneration to Chief Executive Officer Rasmus Werner Nielsen. The 2019 remuneration to the Management Board includes remuneration and severance payments to former Chief Executive Officer.

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 total remuneration including any severance payments accruing to the chief executive officer in the event of termination of employment cannot constitute more than up to the equivalent of two years' remuneration.

The senior management team of the Alm. Brand Group are covered by a share-based remuneration programme totalling 12% of the fixed salary (2019: 13%). 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. Chief Executive Officer Rasmus Werner Nielsen's scheme totals 10% of his fixed salary.

The group's employees have been offered to participate in a share-based remuneration scheme, under which a part of their gross salary will be paid in the form of shares. The shares are granted on a quarterly basis, the number of shares received being based partly on the individual employee's saved-up amount, partly on the average share price on the fourth weekday after the date of announcement of the relevant financial report.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 90 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually. Alm. Brand af 1792 fmba pays 10% of the remuneration for the board members serving on the board of the association. See page 30 for information about such members.

Group Chief Auditor Morten Bendtsen, who is employed by the Board of Directors, holds no employment outside Alm. Brand.

| DKKm | 2020 | 2019 |
|---|---|---|
| *Remuneration to key employees (DKK '000)* | | |
| Salaries | 19,388 | 59,935 |
| Pension plans | 3,347 | 9,574 |
| Share-based payment | 1,458 | 2,763 |
| Total remuneration to key employees | 24,193 | 72,272 |

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.

Remuneration to key employees in the Management Board includes salary etc. in connection with severance.

| **DKKm** | **2020** | **2019** |
|---|---|---|
| *Remuneration to risk takers (DKK '000)* | | |
| Fixed salary | 94,583 | 80,438 |
| Pension | 14,359 | 12,402 |
| Variable salary | 747 | 542 |
| Share-based payment | 4,082 | 3,597 |
| Total remuneration to risk takers | 113,771 | 96,979 |
| | | |
| 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.

In 2020 remuneration to risk takers includes salary etc. in connection with severance (DKK 6.3 million).

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.

All options were exercised in 2020.

| | 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 | 563,933 | 0 |
| Granted on 1 September 2015 | 524,860 | 43.89 | 5.10 | 01.11.19 | 524,860 | 0 |
| Granted on 14 March 2016 | 448,084 | 50.85 | 6.06 | 14.05.20 | 448,084 | 0 |
| Granted on 6 September 2016 | 235,541 | 55.28 | 5.66 | 06.11.20 | 235,541 | 0 |
| Number af share options, year-end | 5,111,356 | | | | | 0 |

The average share price at the time of exercise in 2020 was DKK 62.63 (2019: DKK 57.59).

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| *Audit fees (DKK '000)* | | |
| Deloitte - Audit | 4,920 | 4,086 |
| Deloitte - Other assurance engagements | 886 | 546 |
| Deloitte - Tax consultancy | 602 | 618 |
| Deloitte - Non-audit services | 1,184 | 994 |
| Total audit fees | 7,592 | 6,244 |

Fees for non-audit services in 2020 covered assistance provided in connection with the automation of claims handling processes. Fees for non-audit services in 2019 predominantly consisted of assistance provided in connection with acquisition of activities of Saxo Privatbank A/S.

| **Note 7 Profit/loss from business ceded** | | |
|---|---|---|
| Reinsurance premiums ceded | -305 | -316 |
| Reinsurers' share received | 36 | 44 |
| Change in reinsurers' share of insurance contracts | 52 | 4 |
| Commissions and profit shares from reinsurance companies | 21 | 18 |
| **Total loss from business ceded** | **-196** | **-250** |

| **Note 8 Value adjustments** | | |
|---|---|---|
| *Investment assets* | | |
| Equity investments | 318 | 521 |
| Unit trust units | -62 | 96 |
| Bonds | -28 | 188 |
| Shares in collective investments | 0 | -1 |
| Loans secured by mortgages | -25 | -12 |
| Other investment assets | 483 | 236 |
| Exchange rate adjustments | -4 | 0 |
| | 682 | 1,028 |

| | 2020 | 2019 |
|---|---|---|
| *Land and buildings* | | |
| Investment properties | 59 | 21 |
| Owner-occupied properties | 4 | 9 |
| | 745 | 1,058 |
| Discounting insurance contracts | -106 | -163 |
| **Total value adjustments** | **639** | **895** |
| *Change in fair values based on valuation models and recognised in the ir* | | |
| Mortgage deeds | -25 | -14 |
| Unlisted shares | -9 | 2 |
| Investment properties | 59 | 21 |
| Total change in fair values | 25 | 9 |

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 9 Tax on pension investment returns** | | |
|---|---|---|
| Tax on pension investment returns regarding current year | -134 | -186 |
| **Total tax on pension investment returns** | **-134** | **-186** |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 10 Tax, continuing activities** | | |
| Estimated tax on profit/loss for the year | -183 | -148 |
| Adjustment of tax relating to prior years | 0 | 9 |
| Tax effect of eliminations against discontinued activities | -7 | -7 |
| Adjustment of deferred tax | -7 | 26 |
| **Total tax** | **-197** | **-120** |
| | | |
| *Tax for the year consists of:* | | |
| Tax on accounting profit | -160 | -129 |
| Non-deductible expenses and non-taxable income | -30 | 0 |
| Adjustment of tax relating to prior years | 0 | 9 |
| Total tax | -197 | -120 |
| | | |
| Effective tax rate | 22.8 | 20.4 |

| | 2020 | 2019 |
|---|---|---|
| **Note 11 Intangible assets** | | |
| Software and customer relationships | 9 | 187 |
| **Intangible assets, year-end** | **9** | **187** |
| | | |
| *Software and customer relationships* | | |
| Cost, beginning of year | 570 | 558 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | -247 | 0 |
| Additions during the year | 9 | 12 |
| Cost, year-end | 332 | 570 |
| | | |
| Accumulated amortisation and impairment, beginning of year | -383 | -347 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | 89 | 0 |
| Depreciation for the year | -29 | -36 |
| Accumulated amortisation and impairment, year-end | -323 | -383 |
| | | |
| Software and customer relationships, year | 9 | 187 |

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 12 Owner-occupied properties** | | |
| Cost, beginning of year | 621 | 629 |
| Additions during the year | 1 | 0 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | -11 | 0 |
| Disposals during the year, reclassified to investment properties | -16 | 2 |
| Disposals during the year | 0 | -10 |
| Cost, year-end | 595 | 621 |
| | | |
| Accumulated revaluations, beginning of year | 146 | 105 |
| Revaluations during the year | 5 | 41 |
| Reversal of prior year revaluation through shareholders' equity | -2 | 0 |
| Accumulated revaluations, year-end | 149 | 146 |
| | | |
| Accumulated depreciation and impairment, beginning of year | -15 | -21 |
| Impairment for the year | 0 | -3 |
| Reversal of prior year impairment through profit or loss | 4 | 9 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | 2 | 0 |
| Depreciation on disposal | 8 | 0 |
| Accumulated depreciation and impairment, year end | -1 | -15 |
| | | |
| **Owner-occupied properties, year-end** | **743** | **752** |
| | | |
| Restated value, beginning of year | 752 | 713 |
| Additions during the year | 1 | 2 |
| Disposals during the year | -10 | -10 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | -9 | 0 |
| Value adjustment recognised through the income statement | 5 | 6 |
| Value adjustment recognised through shareholders' equity | 4 | 41 |
| Restated value, year-end | 743 | 752 |
| | | |
| Average return, office property | 5.10% | 5.16% |
| Original acquisition cost | 575 | 601 |

The group's owner-occupied 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 4 million in value adjustments.

The most important non-observable inputs used in the fair value calculation are:
Required rate of return 5.10% (2019: 5.16%)
Rent per $m^2$ DKK 1,616 (2019: DKK 1,555)

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.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 13 Deferred tax assets and liabilities** | | |
| Deferred tax assets, beginning of year | -55 | 46 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | 61 | 0 |
| Prior-year adjustment | 6 | 8 |
| Change for the year | -12 | -5 |
| Tax on pension investment return | 0 | -104 |
| **Deferred tax assets, year-end** | **0** | **-55** |
| | | |
| Deferred tax on contingency funds | -40 | -40 |
| Deferred tax on tangible assets, etc. | 21 | 28 |
| Deferred tax on real estate | -7 | -2 |
| Deferred tax on intangible assets | 0 | -39 |
| Deferred tax on lease assets | 1 | -30 |
| Deferred tax on provisions | 25 | 28 |
| Deferred tax assets, year-end | 0 | -55 |
| | | |
| Deffered tax assets, Non-life | 25 | 47 |
| Deffered tax assets, Life | -7 | -3 |
| Deffered tax assets, Banking | 0 | -62 |
| Deffered tax assets, Other | -18 | -37 |
| **Deferred tax assets, year-end** | **0** | **-55** |

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group has a deferred tax asset of DKK 9 million, which has not been capitalised.

| | 2020 | 2019 |
|---|---|---|
| **Note 14 Reinsurers' share of insurance contracts** | | |
| Reinsurers' share of lifeinsurance provisions | 27 | 22 |
| Reinsurers' share of premium provisions | 4 | 8 |
| Reinsurers' share of claims provisions | 191 | 140 |
| **Reinsurers' share ofinsurance contracts, year-end** | **222** | **170** |
| | | |
| *Reinsurers' share of life insurance provisions* | | |
| Beginning of year | 22 | 19 |
| Change for the year | 5 | 3 |
| Year-end | 27 | 22 |
| | | |
| *Reinsurers' share of premium provisions* | | |
| Beginning of year | 8 | 8 |
| Premiums ceded | -230 | -299 |
| Payments to reinsurers | 226 | 299 |
| Year-end | 4 | 8 |
| | | |
| *Reinsurers' share of claims provisions* | | |
| Beginning of year | 140 | 140 |
| Claims ceded | 83 | 38 |
| Payments received from reinsurers | -32 | -38 |
| Year-end | 191 | 140 |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|

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.

**Note 15 Current tax assets**

| | 2020 | 2019 |
|---|---|---|
| Current tax assets, beginning of year | 45 | 47 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | -3 | 0 |
| Prior-year tax adjustment | -3 | 4 |
| Tax paid/received in respect of prior years | -42 | -51 |
| Tax paid during the year | 197 | 168 |
| Estimated tax on profit/loss for the year | -199 | -123 |
| **Current tax assets, year-end** | **-5** | **45** |

| | 2020 | 2019 |
|---|---|---|
| Current tax assets, Non-life | -19 | 6 |
| Current tax assets, Life | 0 | -10 |
| Current tax assets, Banking | 0 | 27 |
| Current tax assets, Other | 14 | 22 |
| **Deferred tax assets, year-end** | **-5** | **45** |

**Note 16 Other assets**

| | 2020 | 2019 |
|---|---|---|
| Receivables from policyholders | 166 | 153 |
| Receivables from insurance brokers | 6 | 6 |
| Receivables from insurance companies | 23 | 40 |
| Other receivables | 118 | 37 |
| Positive market value of derivatives, gross | 96 | 115 |
| Furniture and equipment, computers, cars, etc. | 3 | 854 |
| Leased furniture and equipment, computers, cars, etc. and properties | 137 | 175 |
| Other assets | 79 | 127 |
| Pensionskassen under Alm. Brand A/S | 10 | 8 |
| Interest receivable | 148 | 176 |
| Prepayments | 75 | 86 |
| **Other assets, year-end** | **861** | **1,777** |

Total receivables written down in connection with insurance operations:

| | 2020 | 2019 |
|---|---|---|
| Impairment, beginning of year | 146 | 129 |
| Impairment during the year and reversal of impairment | 23 | 17 |
| Impairment, year-end | 169 | 146 |

# Notes

| DKKm | | | | | 2020 | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | Leased Cars | Cars | Furniture and equipment, computers, etc. | Leased properties | Total | Cars | Furniture and equipment, computers, etc. | Leased properties | Total |
| Cost, beginning of year | 0 | 1,410 | 26 | 196 | 1,632 | 1,403 | 41 | 196 | 1,640 |
| Additions during the year | 31 | 293 | 2 | 6 | 332 | 356 | 1 | 0 | 357 |
| Disposals relating to the divestment of Alm. Brand Bank | 0 | -1,313 | -4 | | -1,317 | 0 | 0 | 0 | 0 |
| Disposals during the year | -6 | -390 | -6 | -3 | -405 | -349 | -16 | 0 | -365 |
| Cost, year-end | 25 | 0 | 18 | 199 | 242 | 1,410 | 26 | 196 | 1,632 |
| | | | | | | | | | |
| Accumulated depreciation and impairment, beginning of | 0 | -560 | -22 | -21 | -603 | -530 | -37 | 0 | -567 |
| Depreciation for the year | -9 | -186 | -1 | -58 | -254 | -204 | -1 | -21 | -226 |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals relating to the divestment of Alm. Brand Bank | 0 | 542 | 2 | | 544 | 0 | 0 | 0 | 0 |
| Depreciation on disposals | 0 | 204 | 6 | 1 | 211 | 174 | 16 | 0 | 190 |
| Accumulated depreciation and impairment, year-end | -9 | 0 | -15 | -78 | -102 | -560 | -22 | -21 | -603 |
| Other balances regarding operating leases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Furniture and equipment, computers, cars, etc., year-en | 16 | 0 | 3 | 121 | 140 | 850 | 4 | 175 | 1,029 |
| | | | | | | | | | |
| Furniture and equipment, computers, cars, etc., year-end, non-life | | | | | 19 | | | | 2 |
| Furniture and equipment, computers, cars, etc., year-end, banking | | | | | 0 | | | | 852 |
| Furniture and equipment, computers, cars, etc., year-end, other | | | | | 121 | | | | 175 |
| Furniture and equipment, computers, cars, etc., year-end | | | | | 140 | | | | 1,029 |

Lease liabilities concerning properties and cars are recognised in note 26 Other liabilities.

| | 2020 | 2019 |
|---|---|---|
| Future minimum lease payments for assets held under operating leases | | |
| Term of 1 year or less | 201 | 222 |
| Term of 1-5 years | 198 | 177 |
| Term of 5 years or more | 2 | 0 |
| Total | 401 | 399 |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S. Information about Pensionskassen under Alm. Brand A/S: | | |
| Present value of commitment, beginning of year | -85 | -84 |
| Interest expenses | 1 | 0 |
| Benefits paid | 8 | 8 |
| Actuarial gains/losses from financial assumptions | -1 | -4 |
| Actuarial gains/losses from demographic assumptions | 3 | -3 |
| Actuarial gains/losses from experience adjustments | -2 | -2 |
| Present value of commitment, year-end | -76 | -85 |
| Fair value of plan assets, beginning of year | 93 | 99 |
| Return on plan assets | -1 | 0 |
| Return on assets (excluding amounts recognised in net interest expense | 2 | 2 |
| Benefits paid | -8 | -8 |
| Fair value of plan assets, year-end | 86 | 93 |
| Present value of commitment | -76 | -85 |
| Fair value of plan assets | 86 | 93 |
| Net asset recognised in the balance sheet | 10 | 8 |
| Net interest income | 0 | 0 |
| Costs recognised in the income statement | 0 | 0 |
| *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 | -1 | -4 |
| Actuarial gains/losses from demographic assumptions | 3 | -3 |
| Actuarial gains/losses from experience adjustments | -2 | -2 |
| Recognised in other comprehensive income | 2 | -7 |
| Recognised in income statement and other comprehensive income | 2 | -7 |

| | 2020 | 2019 |
|---|---|---|
| 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 | -0.74% | 0.04% |
| Expected rate of inflation | 1.00% | 1.00% |
| *Average remaining life expectancy in years for pension benefit recipients* | | |
| Male | 6.6 | 6.8 |
| Female | 7.5 | 6.9 |

*) 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.

# Notes

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 4 million (increase by DKK 5 million). If the rate of inflation is 1 percentage point higher (lower), the pension obligations will increase by DKK 5 million (fall by DKK 4 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 4 million (increase by DKK 5 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 2020 was 6.5 years.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 17 Loans and advances** | | |
| Loans and advances at fair value | 738 | 936 |
| Loans and advances at amortised cost | 0 | 4,578 |
| **Loans and advances, year-end** | **738** | **5,514** |
| | | |
| *Loans and advances at fair value* | | |
| Mortgage deeds | 738 | 936 |
| Loans and advances at fair value, year-end | 738 | 936 |
| | | |
| Loans and advances at fair value, year-end, non-life | 641 | 803 |
| Loans and advances at fair value, year-end, other | 97 | |
| Loans and advances at fair value, year-end, banking | 0 | 133 |
| Loans and advances at fair value, year-end | 738 | 936 |

Of the total positive fair value adjustment of DKK 12 million of mortgage deeds in 2019, a positive amount of DKK 11 million was due to credit losses.

| DKKm | 2020 | 2019 |
|---|---|---|
| *Loans and advances at amortised cost* | | |
| Loans and advances | | 5,344 |
| Leases | | 92 |
| Total before impairment etc. | | 5,436 |
| Impairment etc. | | -858 |
| Loans and advances at amortised cost, year-end | | 4,578 |
| | | |
| *Assets held under finance leases* | | |
| Beginning of year | | 88 |
| Additions during the year | | 29 |
| Disposals during the year | | -25 |
| | | 92 |
| Other balances regarding finance leases | | 0 |
| Net investment in finance leases, year-end | | 92 |

| | 2020 | 2019 |
|---|---|---|
| *Gross investment in finance leases* | | |
| Term of 1 year or less | | 31 |
| Term of 1-5 years | | 55 |
| Term of 5 years or more | | 12 |
| | | 98 |
| Unearned financial income | | -6 |
| Net investment in finance leases, year-end | | 92 |
| | | |
| *Net investment in finance leases* | | |
| Term of 1 year or less | | 30 |
| Term of 1-5 years | | 51 |
| Term of 5 years or more | | 11 |
| Net investment in finance leases, year-end | | 92 |
| | | |
| Of which, any unguaranteed residual value | | - |
| | | |
| Impairment of finance leases | | 0 |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 18 Investment properties** | | |
| Carrying amount, beginning of year | 750 | 724 |
| Årets afgang ved salg af Alm. Brand Bank A/S | -17 | 0 |
| Additions during the year, property | 9 | 11 |
| Disposals during the year | -11 | -6 |
| Value adjustments during the year | 59 | 21 |
| **Investment properties, year-end** | **790** | **750** |
| | | |
| Investment properties, year-end, Non-life | 0 | 6 |
| Investment properties, year-end, Life | 790 | 727 |
| Investment properties, year-end, Banking | 0 | 17 |
| **Investment properties, year-end** | **790** | **750** |
| | | |
| Average return, office property | 5.10% | 5.38% |
| Average return, residential property | 5.00% | 4.99% |
| Total average return | 5.08% | 5.32% |

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 12.

*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 5.1% (2019: 5.3 %)
Rent per $m^2$ DKK 1,261 (2019: DKK 1,200)

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.

# Notes

| DKKm | 2020 Non-life | 2020 Life | 2020 Other | 2020 Total | 2019 Non-life | 2019 Life | 2019 Banking | 2019 Other | 2019 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Note 19 Investment assets** | | | | | | | | | |
| Government bonds | 170 | 773 | 521 | 1,464 | 453 | 1,491 | 573 | 0 | 2,517 |
| Mortgage bonds | 8,092 | 10,315 | 1,079 | 19,486 | 7,727 | 9,853 | 4,644 | 0 | 22,224 |
| Other fixed-rate instruments | 0 | 4 | 0 | 4 | 438 | 2,198 | 86 | 0 | 2,722 |
| Other floating-rate instruments | 774 | 1,176 | 2 | 1,952 | 64 | 153 | 0 | 2 | 219 |
| Bonds at amortised cost | 0 | 0 | 0 | 0 | 0 | 0 | 651 | 0 | 651 |
| Listed shares | 682 | 3,522 | 0 | 4,204 | 0 | 1,701 | 20 | 0 | 1,721 |
| Unlisted shares | 58 | 408 | 30 | 496 | 53 | 174 | 249 | 1 | 477 |
| Positive market value of derivative financial instruments, gross | 245 | 1,042 | 0 | 1,287 | 187 | 850 | 0 | 0 | 1,036 |
| Other | 7 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 0 |
| **Investment assets, year-end** | **10,028** | **17,240** | **1,632** | **28,893** | **8,927** | **16,420** | **6,223** | **3** | **31,567** |

The group's holding of listed and unlisted shares had a market value of DKK 4,700 milion at 31 December 2020 (2019: DKK 2,198 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 2,648 million at 31 December 2020 (2019: DKK 2,641 million). For an overview of the net position in derivative financial instruments, see Note 37 Offsetting.

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 20 Balances due from credit institutions and central banks** | | |
| Balances at notice with central banks | 0 | 461 |
| Balances due from credit institutions | 0 | 331 |
| **Balances due from credit institutions and central banks, year-end** | **0** | **792** |
| *By term to maturity:* | | |
| Balances at call | 0 | 281 |
| Up to and including 3 months | 0 | 511 |
| Over 3 months and up to and including 1 year | 0 | 0 |
| Year-end | 0 | 792 |

| DKKm | 2020 | 2019 |
|---|---|---|
| *Receivables in connection with genuine purchase and resale transactions:* | | |
| Balances due from credit institutions and central banks | 0 | 49 |
| Other debtors | 0 | 0 |
| Year-end | **0** | **49** |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 21 Consolidated shareholders' equity** | | |
| **Share capital, year-end** | **1,541** | **1,577** |

The share capital consists of 154,114,000 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 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Share capital, beginning of year | 1,577 | 1,610 | 1,655 | 1,735 | 1,735 |
| Cancellation of treasury shares | -36 | -33 | | | |
| Share capital, year-end | 1,541 | 1,577 | 1,610 | 1,655 | 1,735 |

Reference is made to the statement of changes in equity.

*No. of shares*

| Reconciliation of the no. of shares (1,000) | 2020 | 2019 |
|---|---|---|
| Issued shares, beginning of year | 157,660 | 161,000 |
| Treasury shares, beginning of year | -3,349 | -4,310 |
| No. of shares, beginning of year | 154,311 | 156,690 |
| | | |
| Shares acquired/sold during the year | -424 | -2,379 |
| Cancellation of treasury shares | 3,546 | 3,340 |
| | | |
| Issued shares, year end | 154,114 | 157,660 |
| Treasury shares, year end | -227 | -3,349 |
| No. of shares, year end | 153,887 | 154,311 |

| | 2020 | 2019 |
|---|---|---|
| Nominal value, beginning of year | 34 | 43 |
| Acquired during the year, net | 4 | 24 |
| Cancellation of treasury shares | -35 | -33 |
| Nominal value, year-end | 3 | 34 |
| | | |
| Holding (1,000) beginning of year | 3,349 | 4,310 |
| Acquired during the year | 1,229 | 3,891 |
| Sold during the year | -805 | -1,512 |
| Cancellation of treasury shares | -3,546 | -3,340 |
| Holding (1,000), year-end | 227 | 3,349 |
| | | |
| Percentage of share capital, year-end | 0.1% | 2.1% |
| | | |
| Average no. of shares (in thousands) | 153,792 | 155,832 |
| No. Og shares at year-end, diluted (ind thousands) | 153,887 | 154,588 |
| Average no. of shares, diluted (in thousands) | 153,891 | 156,527 |
| Earnings per share | 4.0 | 2.9 |

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 22 Subordinated debt** | | |
| *Subordinated loan capital* | | |
| Floating rate bullet loans maturing 2020.03.15 | 150 | 150 |
| Floating rate bullet loans maturing 2024.04.01 | 250 | 250 |
| Floating rate bullet loans maturing 2027.01.31 | 0 | 175 |
| Subordinated loan capital, year-end | 400 | 575 |
| | | |
| **Subordinated debt, year-end** | **400** | **575** |
| | | |
| Subordinated debt, year-end, Non-life | 150 | 150 |
| Subordinated debt, year-end, Banking | 0 | 175 |
| Subordinated debt, year-end, Other | 250 | 250 |
| **Subordinated debt, year-end** | **400** | **575** |
| | | |
| Interest on subordinated debt | 8 | 9 |
| 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 must be repaid in full on 15 March 2028. The loan may be repaid in full or in part from the first interest payment date after 15 March 2023.

The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 2.5 percentage points. The loan must be repaid in full on 1 April 2029. The borrower may repay the loan in full or in part from 1 April 2024 at the earliest.

| | 2020 | 2019 |
|---|---|---|
| **Note 23 Provisions for insurance contracts** | | |
| Unearned premium provisions | 1,203 | 1,227 |
| Profit margin on non-life insurance contracts | 418 | 404 |
| Outstanding claims provisions | 5,810 | 5,457 |
| Risk margin on non-life insurance contracts | 323 | 287 |
| Life insurance provisions | 16,562 | 15,861 |
| Profit margin on life insurance contracts | 382 | 357 |
| **Provisions for insurance contracts, year-end** | **24,698** | **23,593** |
| | | |
| *Unearned premium provisions* | | |
| Unearned premium provisions, beginning of year | 1,227 | 1,188 |
| Premiums received | 5,471 | 5,386 |
| Premiums recognised as income | -5,471 | -5,365 |
| Discounting (bond maturity effect), all years | -3 | -6 |
| Discounting (value adjustment), all years | 15 | 33 |
| Change in profit margin | -27 | -12 |
| Change in risk margin | -9 | 3 |
| Unearned premium provisions, year-end | 1,203 | 1,227 |
| | | |
| *Profit margin on non-life insurance contracts* | | |
| Profit margin, beginning of year | 404 | 419 |
| Discounting (bond maturity effect), all years | -2 | -5 |
| Discounting (value adjustment), all years | -11 | -22 |
| Change for the year | 27 | 12 |
| Profit margin, year-end | 418 | 404 |

| DKKm | 2020 | 2019 |
|---|---|---|
| *Outstanding claims provisions* | | |
| Beginning of year | 5,457 | 5,252 |
| Claims paid regarding previous years | -1,362 | -1,443 |
| Change in expected claims expenses regarding previous years | -96 | -67 |
| Claims paid regarding current year | -1,884 | -2,075 |
| Expected claims expenses, current year | 3,633 | 3,705 |
| Discounting (bond maturity effect), all years | -1 | -36 |
| Discounting (value adjustment), all years | 94 | 143 |
| Hedging of inflation risk | -11 | -28 |
| Change in risk margin | -20 | 6 |
| Outstanding claims provisions, year-end | 5,810 | 5,457 |
| *Risk margin on non-life insurance contracts* | | |
| Risk margin, beginning of year | 287 | 288 |
| Change for the year regarding previous years | -47 | -66 |
| Change for the year regarding current year | 67 | 60 |
| Discounting (bond maturity effect), all years | 0 | 0 |
| Discounting (value adjustment), all years | 7 | 8 |
| Change for the year in the risk margin on premiums | 9 | -3 |
| Risk margin, year-end | 323 | 287 |
| *Life insurance provisions* | | |
| Life insurance provisions beginning of year | 15,861 | 14,051 |
| Profit margin, beginning of year | 357 | 428 |
| Total provisions for insurance contracts, beginning of year | 16,218 | 14,479 |

| | 2020 | 2019 |
|---|---|---|
| Life insurance provisions - continued | | |
| Collective bonus potential, beginning of year | -1,704 | -1,220 |
| Accumulated value adjustments, beginning of year | -1,150 | -1,014 |
| Retrospective provisions, beginning of year | 13,364 | 12,245 |
| Adjustment, beginning of year* | 1 | -4 |
| Gross premiums | 1,504 | 1,850 |
| Addition of return | 342 | 436 |
| Resetting of negative bonus | 25 | 13 |
| Claims and benefits | -1,354 | -1,034 |
| Expense supplement after addition of expense bonus | -78 | -91 |
| Risk gain after addition of risk bonus | -55 | -54 |
| Other changes | -13 | 3 |
| Retrospective provisions, year-end | 13,736 | 13,364 |
| Accumulated value adjustments, year-end | 1,342 | 1,150 |
| Collective bonus potential, year-end | 1,866 | 1,704 |
| Total provisions for insurance contracts, year-end | 16,944 | 16,218 |
| Profit margin, year-end | -382 | -357 |
| Life insurance provisions, year-end | 16,562 | 15,861 |

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.

# Notes

| DKKm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|
| *Run-off triangle, gross* | | | | | | | |
| Estimated accumulated claims | | | | | | | |
| Year-end | 3,505 | 3,460 | 3,537 | 3,624 | 3,685 | 3,602 | |
| 1 year later | 3,347 | 3,366 | 3,526 | 3,586 | 3,648 | | |
| 2 years later | 3,298 | 3,326 | 3,573 | 3,632 | | | |
| 3 years later | 3,297 | 3,383 | 3,628 | | | | |
| 4 years later | 3,320 | 3,356 | | | | | |
| 5 years later | 3,306 | | | | | | |
| | 3,306 | 3,356 | 3,628 | 3,632 | 3,648 | 3,602 | 21,172 |
| Paid to date | -3,052 | -3,045 | -3,149 | -3,048 | -2,816 | -1,880 | -16,990 |
| Provisions before discounting effect, year-end | 254 | 311 | 479 | 584 | 832 | 1,722 | 4,182 |
| Discounting effect | 0 | 1 | 1 | 2 | 3 | 6 | 13 |
| Acc. value change, health and personal accident insurance | 6 | 11 | 9 | 13 | 10 | 17 | 66 |
| | 260 | 323 | 489 | 599 | 845 | 1,745 | 4,261 |
| Provisions from 2014 and prior years | | | | | | | 1,549 |
| Gross outstanding claims provisions, year-end | | | | | | | 5,810 |
| *Run-off triangle, net of reinsurance* | | | | | | | |
| Estimated accumulated claims | | | | | | | |
| Year-end | 3,411 | 3,388 | 3,442 | 3,603 | 3,670 | 3,542 | |
| 1 year later | 3,272 | 3,287 | 3,431 | 3,556 | 3,629 | | |
| 2 years later | 3,226 | 3,239 | 3,476 | 3,597 | | | |
| 3 years later | 3,223 | 3,295 | 3,531 | | | | |
| 4 years later | 3,248 | 3,269 | | | | | |
| 5 years later | 3,235 | | | | | | |
| | 3,235 | 3,269 | 3,531 | 3,597 | 3,629 | 3,542 | 20,803 |
| Paid to date | -2,990 | -2,979 | -3,062 | -3,034 | -2,809 | -1,878 | -16,752 |
| Provisions before discounting effect, year-end | 245 | 290 | 469 | 563 | 820 | 1,664 | 4,051 |
| Discounting effect | 0 | 1 | 1 | 2 | 3 | 6 | 13 |
| Acc. change, health and personal accident insurance | 3 | 5 | 4 | 5 | 5 | 10 | 32 |
| | 248 | 296 | 474 | 570 | 828 | 1,680 | 4,096 |
| Provisions from 2014 and prior years | | | | | | | 1,523 |
| Outstanding claims provisions year-end, net of reinsurance | | | | | | | 5,619 |

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2015 to 2020. 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 | | | | | | 2020 |
|---|---|---|---|---|---|---|
| | Garanteed benefits | Individual bonus-potential | Collective bonus-potential | Total | Return rate (%) | Bonus-rate (%) |
| *Life insurance provisions per basis* | | | | | | |
| Interest rate group A | 9,781 | 208 | 1,373 | 11,362 | 6.1 | 15.7 |
| Interest rate group 0 | 1,508 | 3 | 147 | 1,658 | 6.3 | 10.8 |
| Interest rate group 1 | 771 | 1 | 133 | 905 | 8.1 | 21.2 |
| Interest rate group 2 | 846 | 2 | 77 | 925 | 3.6 | 11.4 |
| Interest rate group 3 | 1,539 | 3 | 136 | 1,678 | 3.4 | 15.4 |
| Interest rate group L66/U74 | 34 | 0 | 0 | 34 | - | - |
| Risk groups | 0 | 0 | 0 | 0 | - | - |
| | 14,479 | 217 | 1,866 | 16,562 | 5.8 | 15.2 |

| | | | | | | 2019 |
|---|---|---|---|---|---|---|
| | Garanteed benefits | Individual bonus-potential | Collective bonus-potential | Total | Return rate (%) | Bonus-rate (%) |
| *Life insurance provisions per basis* | | | | | | |
| Interest rate group 0 | 10,095 | 445 | 1,296 | 11,836 | 9.7 | 16.3 |
| Interest rate group 1 | 852 | 1 | 143 | 996 | 8.4 | 19.9 |
| Interest rate group 2 | 918 | 2 | 99 | 1,019 | 5.4 | 13.0 |
| Interest rate group 3 | 1,799 | 3 | 166 | 1,968 | 7.1 | 15.2 |
| Interest rate group L66/U74 | 42 | 0 | 0 | 42 | - | - |
| Risk groups | 0 | 0 | 0 | 0 | - | - |
| | 13,706 | 451 | 1,704 | 15,861 | 9.2 | 16.1 |

No collective bonus potential was added to the expense groups.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| *Expense result* | | |
| Cost contribution after addition of expense bonus | 110 | 107 |
| Insurance operating expenses for the year, net of reinsurance | -103 | -103 |
| Expense result, net of reinsurance | 7 | 4 |
| | | |
| Expense result as a percentage of technical provisions | 0 | 0.0 |
| | | |
| *Risk result* | | |
| Risk group death | 53 | 47 |
| Risk group disability | 3 | -1 |
| Risk group surviv - L1 | -8 | -1 |
| Risk group surviv - L2 | -2 | -1 |
| Risk result after addition of risk bonus, net of reinsurance | 46 | 44 |
| | | |
| Risk resulat as a percentage of technical provisions | 0.3 | 0.3 |
| Return on policyholder's funds after costs before tax (%) | 5.1 | 8.2 |

| | 2020 | 2019 |
|---|---|---|
| *Riskmargin* | | |
| Interest rate group A | 60 | |
| Interest rate group 0 | 12 | 59 |
| Interest rate group 1 | 3 | 3 |
| Interest rate group 2 | 3 | 3 |
| Interest rate group 3 | 5 | 6 |
| Interest rate group L66/U74 | 2 | 2 |
| Total risk margin | 85 | 73 |
| | | |
| *Profit margin* | | |
| Interest rate group A | 275 | |
| Interest rate group 0 | 55 | 297 |
| Interest rate group 1 | 13 | 16 |
| Interest rate group 2 | 14 | 14 |
| Interest rate group 3 | 25 | 30 |
| Total profit margin | 382 | 357 |

| DKKm | 2020 | 2019 |
|---|---|---|
| *Undiscounted expected cash flows* | | |
| Life insurance provisions | | |
| Cash flow 1 year or less | 1,287 | 1,122 |
| Cash flow 1-5 years | 2,910 | 2,919 |
| Cash flow 5 years or more | 10,849 | 10,878 |
| Gross claims provisions | | |
| Cash flow 1 year or less | 140 | 187 |
| Cash flow 1-5 years | 741 | 736 |
| Cash flow 5 years or more | 312 | 277 |
| Profit margin, gross | | |
| Cash flow 1 year or less | 1,299 | 1,267 |
| Cash flow 1-5 years | -651 | -650 |
| Cash flow 5 years or more | -233 | -232 |
| Claims provisions, gross | | |
| Cash flow 1 year or less | 2,060 | 2,060 |
| Cash flow 1-5 years | 1,828 | 1,760 |
| Cash flow 5 years or more | 1,892 | 1,700 |
| Risk margin, gross | | |
| Cash flow 1 year or less | 58 | 54 |
| Cash flow 1-5 years | 118 | 106 |
| Cash flow 5 years or more | 131 | 119 |

*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 | 2020 | 2019 |
|---|---|---|
| **Note 24 Other provisions** | | |
| Provisions for jubilees, severance payments, bonus, etc. | 16 | 22 |
| Provisions for losses on guarantees | 0 | 15 |
| Provisions for credit commitments and undrawn facilities | 0 | 4 |
| **Other provisions, year-end** | **16** | **41** |
| Provisions for jubilees, severance payment, bonus, etc., beginning of year | 22 | 30 |
| New and adjusted provisions | 3 | 3 |
| Reversed provisions during the year | -5 | -10 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | -4 | 0 |
| Net provisions recognised during the year | 0 | -3 |
| Discounting effect | 0 | 2 |
| Provisions for jubilees, severance payment, bonus, etc., year-end | 16 | 22 |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| Provisions for losses on guarantees beginning of year | 15 | 22 |
| Change ind accounting policies | -15 | 0 |
| Provisions for the year | 0 | 11 |
| Reversed provisions for the year | 0 | -18 |
| Provisions for losses on guarantees, year-end | 0 | 15 |

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

**Note 25 Issued bonds**

| | 2020 | 2019 |
|---|---|---|
| Credit institutions | 152 | 0 |
| Issued bonds , year-end | 152 | 0 |

The issued bonds carry interest at a floating rate of 3M CIBOR plus 1.45 percentage points. The loan must be repaid in full on 4 February 2026.

**Note 26 Other liabilities**

| | 2020 | 2019 |
|---|---|---|
| Payables to policyholders | 67 | 55 |
| Payables related to direct insurance | 36 | 19 |
| Payables related to reinsurance | 43 | 47 |
| Payables to group enterprises | 1 | 2 |
| Negative market value of derivatives | 491 | 563 |
| Individual pension return tax payable | 60 | 76 |
| Lease liability | 127 | 176 |
| Other payables | 553 | 649 |
| Deferred income | 46 | 41 |
| Other liabilities, year-end | 1,424 | 1,628 |

For an overview of the net position in derivative financial instruments, see Note 37 Offsetting.

**Note 27 Deposits**

| | 2020 | 2019 |
|---|---|---|
| Deposits at call | 0 | 8,947 |
| At notice | 0 | 163 |
| Special categories of deposits | 0 | 1,382 |
| Deposits, year-end | 0 | 10,492 |

**Note 28 Payables to credit institutions and central banks**

| | 2020 | 2019 |
|---|---|---|
| Credit institutions | 918 | 838 |
| Payables to credit institutions and central banks, year-end | 918 | 838 |
| *By term to maturity:* | | |
| Due on demand | 918 | 838 |
| 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 | 918 | 838 |
| *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 29 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 | 2020 Total |
|---|---|---|---|---|---|---|---|---|---|
| Gross premiums | 124 | 448 | 479 | 1,036 | 1,174 | 1,253 | 139 | 280 | 4,933 |
| Gross premium income | 658 | 444 | 483 | 1,033 | 1,180 | 1,248 | 139 | 286 | 5,471 |
| Gross claims expenses | -319 | -452 | -388 | -617 | -695 | -777 | -77 | -212 | -3,537 |
| Gross operating expenses | -125 | -57 | -83 | -177 | -214 | -195 | -24 | -51 | -926 |
| Profit/loss from business ceded | -9 | -3 | -2 | -3 | -46 | -125 | -2 | -3 | -193 |
| **Total technical result** | **205** | **-68** | **0** | **236** | **225** | **151** | **36** | **20** | **815** |
| No. of claims | 12,752 | 5,616 | 15,816 | 94,616 | 56,618 | 17,424 | 2,249 | 26,765 | 231,856 |
| Frequency of claims | 0.037 | 0.188 | 0.043 | 0.282 | 0.148 | 0.152 | 0.047 | 0.123 | 0.132 |
| Average damages paid for claims incurred, DKK '000 | 29 | 67 | 26 | 7 | 13 | 48 | 31 | 8 | 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 | 2019 Total |
|---|---|---|---|---|---|---|---|---|---|
| Gross premiums | 637 | 429 | 492 | 995 | 1,155 | 1,258 | 133 | 262 | 5,361 |
| Gross premium income | 641 | 429 | 492 | 995 | 1,155 | 1,258 | 133 | 262 | 5,365 |
| Gross claims expenses | -301 | -304 | -419 | -670 | -755 | -841 | -75 | -272 | -3,637 |
| Gross operating expenses | -151 | -52 | -81 | -160 | -234 | -205 | -26 | -47 | -956 |
| Profit/loss from business ceded | -11 | -3 | -2 | -5 | -45 | -177 | -2 | -1 | -246 |
| **Total technical result** | **178** | **70** | **0** | **160** | **121** | **35** | **30** | **-58** | **526** |
| No. of claims | 12,438 | 5,416 | 17,759 | 99,556 | 64,101 | 20,289 | 2,354 | 27,212 | 249,125 |
| Frequency of claims | 0.036 | 0.181 | 0.047 | 0.290 | -0.162 | 0.173 | 0.048 | 0.117 | 0.132 |
| Average damages paid for claims incurred, DKK '000 | 31 | 55 | 23 | 7 | 12 | 43 | 35 | 10 | 15 |

Direct insurance is written only in Denmark

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 30 Return requirement for shareholders' equity, Life Insurance** | | |
| Return on investments allocated to equity | 1 | -3 |
| Result of portfolios without bonus entitlement | 2 | 5 |
| Interest result | 47 | 29 |
| Expense result | 7 | 4 |
| Risk result | 46 | 44 |
| Group life | 9 | 12 |
| Profit/loss for the year before tax | 112 | 91 |

**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 2020 has been determined as follows:

- Interest rate group: 0.3% of average life insurance provisions net of reinsurance
- 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.

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 2021, except for the disability insurance group, which is now calculated net of reinsurance after bonus.

# Notes

| DKKm | | | 2020 | | | 2019 |
|---|---|---|---|---|---|---|
| **Note 31 Segment reporting, Non-life Insurance** | | | | | | |
| | **Private** | **Commercial** | **Total** | **Private** | **Commercial** | **Total** |
| Gross premium income | 2,761 | 2,710 | 5,471 | 2,695 | 2,670 | 5,365 |
| Gross claims expenses | -1,692 | -1,845 | -3,537 | -1,784 | -1,853 | -3,637 |
| Operating expenses relating to insurance activities | -506 | -420 | -926 | -527 | -429 | -956 |
| Reinsurance profit/loss | -56 | -137 | -193 | -59 | -187 | -246 |
| Technical result | 507 | 308 | 815 | 325 | 201 | 526 |
| Run-off result, claims | 118 | -5 | 113 | 81 | -14 | 67 |
| Run-off result, risk margin | 23 | 23 | 46 | 27 | 39 | 66 |
| | | | | | | |
| Gross claims ratio | 61.3 | 68.1 | 65.2 | 66.2 | 69.4 | 65.2 |
| Net reinsurance ratio | 2.0 | 5.0 | 4.6 | 2.2 | 7.0 | 4.6 |
| Claims experience | 63.3 | 73.1 | 69.8 | 68.4 | 76.4 | 69.8 |
| Gross expense ratio | 18.3 | 15.5 | 17.2 | 19.5 | 16.1 | 17.2 |
| Combined ratio | 81.6 | 88.6 | 87.0 | 87.9 | 92.5 | 87.0 |

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 consis tent 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 | 2020 | 2019 |
|---|---|---|
| **Note 32 Contingent liabilities, guarantees and lease agreements** | | |
| Guarantee commitments | 4,993 | 4,993 |

The group's companies have made lease and service agreements concerning IT with total annual payments of DKK 74 million allocated over a five-year period.

The companies of the group have undertaken to participate in investing in unlisted securities in the amount of DKK 1,074million.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 9.2 million relating to property. Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 0.2 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

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.

**Note 33 Collateral security**

Carrying amounts of assets provided as collateral security for technical provisions in Life

| | | |
|---|---|---|
| Government bonds | 760 | 2,810 |
| corporate bonds | 11,666 | 11,075 |
| Equity investments | 2,252 | 2,271 |
| Collective investment undertakings | 2,934 | 962 |
| Cash and deposits | 0 | 234 |
| Loans, including mortgage loans | 4 | 6 |
| Property plant and equipment | 34 | 176 |
| Collateral security, year-end | 17,650 | 17,534 |

**Note 34 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 and of DKK 150 million to Alm. Brand Forsikring A/S.

An overview of subsidiaries is provided in the corporate overview.

Alm. Brand Forsikring A/S has an option agreement with Alm. Brand PIA A/S to sell back mortgage deeds to the bank if a debtor defaults on its payment obligations. Alm. Brand PIA 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 PIA A/S has taken over the obligation after the sale of Alm. Brand Bank.

# Notes

| DKKm | | | | 2020 |
|---|---|---|---|---|
| | **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 | 3,537 | 1 | 5 | 0 |
| Purchase of services | 3,145 | 0 | 2 | 2 |
| Interest and fee income | 0 | 0 | 0 | 0 |
| Interest and fee expenses | 16 | 0 | 1 | 0 |
| Receivables | 0 | 0 | 0 | 0 |
| Debt | 401 | 1 | 36 | 0 |
| Collateral | 0 | 0 | 0 | 0 |

| | | | | 2019 |
|---|---|---|---|---|
| | **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 | 1837 | 1 | 5 | 0 |
| Purchase of services | 1300 | 0 | 0 | 1 |
| Interest and fee income | 0 | 0 | 0 | 0 |
| Interest and fee expenses | 18 | 0 | 1 | 0 |
| Receivables | 0 | 2 | 2 | 1 |
| Debt | 613 | 7 | 37 | 0 |
| Collateral | 0 | 2 | 2 | 0 |
| Interest rates on loans | | 1.5-4.5% | 1.5-4.5% | 1.5-2.5% |

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.

| DKKm | | 2020 | | | 2019 | |
|---|---|---|---|---|---|---|

**Note 35 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 | 738 | 0 | 738 | 936 | 0 | 936 |
| *Assets at fair value through income statement* | | | | | | |
| Government bonds | 1,464 | 0 | 1,464 | 2,517 | 0 | 2,517 |
| Mortgage bonds | 19,486 | 0 | 19,486 | 22,224 | 0 | 22,224 |
| Other fixed-rate instruments | 4 | 0 | 4 | 2,722 | 0 | 2,722 |
| Other floating-rate instruments | 1,952 | 0 | 1,952 | 219 | 0 | 219 |
| Listed shares | 4,204 | 0 | 4,204 | 1,721 | 0 | 1,721 |
| Unlisted shares | 496 | 0 | 496 | 477 | 0 | 477 |
| Other investment assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Positive market value of derivative financial instruments | 1,383 | 0 | 1,383 | 1,151 | 0 | 1,151 |
| *Loans and receivables at amortised cost* | | | | | | |
| Loans and advances at amortised cost | 0 | 0 | 0 | 4,595 | 4,578 | 4,578 |
| Bonds at amortised cost | 0 | 0 | 0 | 651 | 651 | 651 |
| Receivables from policyholders | 166 | 166 | 166 | 153 | 153 | 153 |
| Receivables from insurance brokers | 6 | 6 | 6 | 6 | 6 | 6 |
| Receivables from insurance companies | 23 | 23 | 23 | 40 | 40 | 40 |
| Other receivables | 118 | 118 | 118 | 37 | 37 | 37 |
| Pensionskassen under Alm. Brand A/S | 10 | 10 | 10 | 8 | 8 | 8 |
| Interest receivable | 148 | 0 | 148 | 176 | 0 | 176 |
| Balances due from credit institutions and central banks | 0 | 0 | 0 | 792 | 792 | 792 |
| Assets temporarily acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Other assets | 79 | 79 | 79 | 127 | 127 | 127 |
| Cash in hand and demand deposits | 524 | 524 | 524 | 244 | 244 | 244 |
| Financial assets, year-end | 30,063 | 926 | 30,063 | 37,860 | 6,636 | 37,843 |

| DKKm | | | 2020 | | | 2019 |
|---|---|---|---|---|---|---|
| | Fair value | Amortised cost | Total | Fair value | Amortised cost | Total |
| *Liabilities at fair value through income statement* | | | | | | |
| Negative market value of derivative financial instruments | 491 | 0 | 491 | 563 | 0 | 563 |
| *Liabilities, amortised cost* | | | | | | |
| Subordinated debt | 400 | 400 | 400 | 575 | 575 | 575 |
| Payables to policyholders | 67 | 67 | 67 | 55 | 55 | 55 |
| Payables related to direct insurance | 36 | 36 | 36 | 19 | 19 | 19 |
| Payables related to reinsurance | 43 | 43 | 43 | 47 | 47 | 47 |
| Payables to group enterprises | 1 | 1 | 1 | 2 | 2 | 2 |
| Deposits | 0 | 0 | 0 | 10,493 | 10,492 | 10,492 |
| Payables to credit institutions and central banks | 918 | 918 | 918 | 838 | 838 | 838 |
| Other payables | 553 | 553 | 553 | 649 | 649 | 649 |
| Financial liabilities, year-end | 2,509 | 2,018 | 2,509 | 13,241 | 12,677 | 13,240 |

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.

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.

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

| | 2020 | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **DKKm** | **Non-life** | **Life** | **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 |
| Bonds | 5,860 | 8,749 | 1,219 | 15,828 | 6,440 | 9,950 | 3,629 | 0 | 20,019 |
| Shares | 682 | 3,522 | 0 | 4,204 | 0 | 1,701 | 20 | 0 | 1,721 |
| Other assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total financial assets | 6,542 | 12,271 | 1,219 | 20,032 | 6,440 | 11,651 | 3,649 | 0 | 21,740 |
| Financial liabilities | | | | | | | | | |
| Subordinated debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other payables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

# Notes

| DKKm | Non-life | Life | Other | Total 2020 | Non-life | Life | Banking | Other | Total 2019 |
|---|---|---|---|---|---|---|---|---|---|
| *Level 2* | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Loans and advances | 0 | 0 | 0 | 0 | 0 | 0 | 4,680 | 0 | 4,578 |
| Bonds | 3176 | 3,515 | 381 | 7,072 | 2,242 | 3,739 | 1,674 | 0 | 7,655 |
| Shares | 0 | 0 | 0 | 0 | 0 | 0 | 143 | 0 | 143 |
| Other assets | 405 | 1,125 | 8 | 1,531 | 342 | 940 | 51 | 0 | 1,328 |
| Total financial assets | 3,581 | 4,640 | 389 | 8,603 | 2,584 | 4,679 | 6,548 | 0 | 13,704 |
| Financial liabilities | | | | | | | | | |
| Liabilities temporarily acquired | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposits | 0 | 0 | 0 | 0 | 0 | 0 | 10,824 | 0 | 10,492 |
| Other payables | 239 | 297 | 8 | 537 | 298 | 359 | 49 | 0 | 604 |
| Total financial liabilities | 239 | 297 | 8 | 537 | 298 | 359 | 10,873 | 0 | 11,096 |
| *Level 3* | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Loans and advances | 641 | 0 | 97 | 738 | 803 | 0 | 133 | 0 | 936 |
| Bonds | 0 | 4 | 2 | 6 | 0 | 6 | 0 | 2 | 8 |
| Shares | 58 | 408 | 30 | 496 | 53 | 174 | 106 | 1 | 334 |
| Investment properties | 0 | 1,533 | 0 | 790 | 6 | 1,470 | 17 | 0 | 750 |
| Other assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total financial assets | 699 | 1,945 | 129 | 2,030 | 862 | 1,650 | 256 | 3 | 2,028 |
| Financial liabilities | | | | | | | | | |
| Subordinated debt | 150 | 150 | 250 | 400 | 150 | 150 | 175 | 250 | 575 |
| Deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Issued bonds | 0 | 0 | 152 | 152 | 0 | 0 | 0 | 0 | 0 |
| Other payables | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 0 |
| Total financial liabilities | 150 | 150 | 402 | 552 | 150 | 150 | 180 | 250 | 575 |

# Notes

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 2019 or 2020.

Loans and advances 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 6.9 % and 12.4 %, 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 15.2 million (2019: DKK 23.0 million). See note 44 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. 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 0.4 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. 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 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 49.6 million in aggregate.

Other assets comprises interest receivable at DKK 148 million and positive values of derivative financial instruments at DKK 1,383 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 46 million and negative values of derivative financial instruments at 491 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.

Owner-occupied properties and investment properties are measured in the same way. See note 12 for additional information regarding owneroccupied properties and note 18 for additional information about investment properties.

| | | | | | 2020 | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 | 803 | 0 | 133 | 0 | 936 | 941 | 0 | 155 | 0 | 1,096 |
| Additions during the year | 0 | 0 | 5 | 118 | 5 | 0 | 0 | 4 | 0 | 4 |
| Disposals during the year | -122 | 0 | -26 | -34 | -182 | -114 | 0 | -37 | 0 | -151 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | 0 | 0 | -118 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Realised value adjustments | 1 | 0 | -3 | 2 | 0 | 1 | 0 | -4 | 0 | -3 |
| Unrealised value adjustments | -41 | 0 | 9 | 11 | -21 | -25 | 0 | 15 | 0 | -10 |
| Carrying amount, year-end | 641 | 0 | 0 | 97 | 738 | 803 | 0 | 133 | 0 | 936 |

# Notes

| | | | | | 2020 | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **DKKm** | **Non-life** | **Life** | **Banking** | **Other** | **Total** | **Non-life** | **Life** | **Banking** | **Other** | **Total** |
| Value adjustments recognised in the income statement | -40 | 0 | 6 | 0 | -34 | -24 | 0 | 11 | 0 | -13 |
| *Bonds* | | | | | | | | | | |
| Carrying amount, beginning of year | 0 | 6 | 0 | 2 | 8 | 0 | 5 | 0 | 2 | 7 |
| Additions during the year | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| Disposals during the year | 0 | -2 | 0 | 0 | -2 | 0 | -1 | 0 | 0 | -1 |
| 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 | 4 | 0 | 2 | 6 | 0 | 6 | 0 | 2 | 8 |
| Value adjustments recognised in the income statement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Shares* | | | | | | | | | | |
| Carrying amount, beginning of year | 53 | 174 | 106 | 1 | 334 | 8 | 6 | 77 | 1 | 92 |
| Additions during the year | 4 | 233 | 0 | 40 | 240 | 43 | 166 | 4 | 0 | 213 |
| Disposals during the year | 0 | 0 | -62 | -1 | -26 | 0 | 0 | 0 | 0 | 0 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | 0 | 0 | -49 | 0 | -49 | 0 | 0 | 0 | 0 | 0 |
| Realised value adjustments | 0 | 2 | 11 | 0 | 13 | 1 | 0 | 0 | 0 | 1 |
| Unrealised value adjustments | 1 | -1 | -6 | -10 | -16 | 1 | 2 | 25 | 0 | 28 |
| Carrying amount, year-end | 58 | 408 | 0 | 30 | 496 | 53 | 174 | 106 | 1 | 334 |
| Value adjustments recognised in the income statement | 1 | 1 | 5 | -10 | -3 | 2 | 2 | 25 | 0 | 29 |

| DKKm | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2020 | | | | | 2019 |
| Value adjustments recognised in the income statement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Other liabilities* | | | | | | | | | | |
| Carrying amount, beginning of year | 150 | 150 | 180 | 250 | 575 | 150 | 150 | 179 | 250 | 575 |
| Additions during the year | 0 | 0 | 0 | 152 | 152 | 0 | 0 | 0 | 250 | 250 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -250 | -250 |
| Disposals relating to the divestment of Alm. Brand Bank A/S | 0 | 0 | -180 | 0 | -175 | 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 | 1 | 0 | 0 |
| Carrying amount, year-end | 150 | 150 | 0 | 402 | 552 | 150 | 150 | 180 | 250 | 575 |
| Value adjustments recognised in the income statement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |

See note 18 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 | Non-life | Life | Banking | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Rating of bonds | | | | | | | | | | |
| Rated AAA | 2,769 | 3,753 | 0 | 743 | 7,265 | 7,004 | 11,965 | 4,484 | 0 | 23,453 |
| Rated AA- to AA+ | 1,651 | 1,885 | 0 | 160 | 3,696 | 1,267 | 1,074 | 672 | 0 | 3,013 |
| Rated A- to A+ | 4,312 | 5,868 | 0 | 697 | 10,877 | 189 | 236 | 66 | 0 | 491 |
| Others | 304 | 762 | 0 | 2 | 1,068 | 222 | 420 | 81 | 2 | 725 |
| Bonds at fair value, year-end | 9,036 | 12,268 | 0 | 1,602 | 22,906 | 8,682 | 13,695 | 5,303 | 2 | 27,682 |

| DKKm | | | | | 2020 | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Note 36 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** | **Assets through income statement** | **Assets at amortised cost** | **Debt at amortised cost** | **Total** |
| Interest income, etc. | 0 | 366 | 0 | 0 | 366 | 15 | 230 | 203 | 0 | 448 |
| Fee income etc. | 0 | 0 | 0 | 0 | 0 | 152 | -291 | 139 | 0 | 0 |
| Other income | | 5 | 0 | 0 | 5 | | -294 | 294 | 0 | 0 |
| Total income | 0 | 371 | 0 | 0 | 371 | 167 | -355 | 636 | 0 | 448 |
| Interest expenses | | -6 | 0 | -8 | -14 | | 6 | 0 | -35 | -29 |
| Value adjustments excluding credit losses on mortgage deeds | 0 | 639 | 0 | 0 | 639 | 7 | 877 | 0 | 0 | 884 |
| Credit losses on mortgage deeds | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 0 | 0 | 11 |
| Impairment of loans, advances and receivables, etc. | 0 | 0 | 0 | 0 | 0 | 0 | -81 | 81 | 0 | 0 |
| Profit/loss before tax | 0 | 1,004 | 0 | -8 | 996 | 174 | 458 | 717 | -35 | 1,314 |

# Notes

| DKKm | | 2020 | | | | 2019 |
|---|---|---|---|---|---|---|
| | Derivatives | Repo agreements | Total | Derivatives | Repo agreements | Total |
| **Note 37 Offsetting** | | | | | | |
| *Financial assets* | | | | | | |
| Recognised assets, gross | 1,383 | 0 | 1,383 | 1,151 | 0 | 1,151 |
| Liabilities offset in the balance sheet | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets stated at net amounts in the balance sheet | 1,383 | 0 | 1,383 | 1,151 | 0 | 1,151 |
| *Related amounts which have not been offset in the balance sheet* | | | | | | |
| Financial instruments | -8 | 0 | -8 | -2 | 0 | -2 |
| Financial collateral | -917 | 0 | -917 | -673 | 0 | -673 |
| Net amounts | 458 | 0 | 458 | 476 | 0 | 476 |
| Financial liabilities | | | | | | |
| Recognised liabilities, gross | 491 | 0 | 491 | 563 | 0 | 563 |
| Assets offset in the balance sheet | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities stated at net amounts in the balance sheet | 491 | 0 | 491 | 563 | 0 | 563 |
| *Related amounts which have not been offset in the balance sheet* | | | | | | |
| Financial instruments | 0 | 0 | 0 | -2 | 0 | -2 |
| Financial collateral | -80 | 0 | -80 | -31 | 0 | -31 |
| Net amounts | 411 | 0 | 411 | 530 | 0 | 530 |
| Assets sold as part of repo transactions: | | | | | | |
| Bonds at fair value | | | | | | 0 |
| Assets bought as part of reverse transactions: | | | | | | |
| Bonds at fair value | | | | | | 150 |

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 (2019) 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.

| DKKm | 2020 Non-life | 2020 Life | 2020 Other | 2020 Total | 2019 Non-life | 2019 Life | 2019 Banking | 2019 Other | 2019 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Note 38 Financial instruments by term to maturity** | | | | | | | | | |
| *Bonds* | | | | | | | | | |
| Expiry within 1 year | 1,536 | 73 | 1,102 | 2,711 | 1,984 | 692 | 1,127 | 0 | 3,803 |
| Expiry between 1 year and 5 years | 3,834 | 1,556 | 181 | 5,571 | 4,765 | 3,890 | 2,888 | 0 | 11,543 |
| Expiry after more than 5 years | 3,666 | 10,639 | 319 | 14,624 | 1,933 | 9,113 | 1,288 | 2 | 12,336 |
| Bonds, year-end | 9,036 | 12,268 | 1,602 | 22,906 | 8,682 | 13,695 | 5,303 | 2 | 27,682 |
| *Cash in hand and balances at call* | | | | | | | | | |
| Expiry within 1 year | 259 | 193 | 72 | 524 | 238 | 105 | 232 | 1 | 244 |
| Expiry between 1 year and 5 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expiry after more than 5 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash in hand and balances at call, year-end | 259 | 193 | 72 | 524 | 238 | 105 | 232 | 1 | 244 |
| *Loans, advances and receivables* | | | | | | | | | |
| Expiry within 1 year | 171 | 60 | 11 | 242 | 198 | 45 | 1,656 | 0 | 1,796 |
| Expiry between 1 year and 5 years | 157 | 0 | 23 | 180 | 178 | 0 | 2,246 | 0 | 2,424 |
| Expiry after more than 5 years | 448 | 0 | 63 | 511 | 582 | 0 | 1,703 | 0 | 2,285 |
| Loans, advances and receivables, year-end | 776 | 60 | 97 | 933 | 958 | 45 | 5,605 | 0 | 6,505 |
| *Deposits and payables to credit institutions and central banks* | | | | | | | | | |
| Expiry within 1 month | 187 | 877 | 0 | 1,064 | 258 | 635 | 9,447 | 0 | 9,907 |
| Expiry between 1 month and 3 months | 0 | 0 | 0 | 0 | 0 | 0 | 283 | 0 | 283 |
| Expiry between 3 months and 1 year | 0 | 0 | 0 | 0 | 0 | 0 | 20 | 0 | 20 |
| Expiry between 1 year and 5 years | 0 | 0 | 0 | 0 | 0 | 0 | 116 | 0 | 116 |
| Expiry after more than 5 years | 0 | 0 | 0 | 0 | 0 | 0 | 1,125 | 0 | 1,125 |
| Deposits and payables to credit institutions and central banks, year-end | 187 | 877 | 0 | 1,064 | 258 | 635 | 10,991 | 0 | 11,451 |

# Notes

| DKKm | 2020 Non-life | 2020 Life | 2020 Other | 2020 Total | 2019 Non-life | 2019 Life | 2019 Banking | 2019 Other | 2019 Total |
|---|---|---|---|---|---|---|---|---|---|
| *Guarantees and rent commitments* | | | | | | | | | |
| Expiry within 3 months | | | 16 | 5 | | | 1,613 | 11 | 1,613 |
| Expiry between 3 months and 1 year | | | 47 | 14 | | | 1,469 | 47 | 1,483 |
| Expiry between 1 year and 5 years | | | 35 | 35 | | | 219 | 81 | 211 |
| Expiry after more than 5 years | | | 0 | 0 | | | 1,057 | 0 | 1,057 |
| Guarantees, year-end | | | 98 | 98 | | | 4,358 | 139 | 4,364 |
| *Financial liabilities* | | | | | | | | | |
| Expiry within 3 months | 21 | 30 | 8 | 52 | 13 | 25 | 74 | 0 | 10 |
| Expiry between 3 months and 1 year | 7 | 0 | 0 | 7 | 0 | 0 | 3 | 0 | -2 |
| Expiry between 1 year and 5 years | 53 | 48 | 0 | 101 | 136 | 49 | 17 | 0 | 202 |
| Expiry after more than 5 years | 158 | 219 | 152 | 529 | 149 | 285 | 7 | 0 | 441 |
| Financial liabilities, year-end | 239 | 297 | 160 | 689 | 298 | 359 | 101 | 0 | 651 |

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 23 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.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 39 Market risk** | | |
| *Currency risk* | | |
| Foreign currency positions: | | |
| Long positions | 26,382 | 21,343 |
| Short positions | -19,142 | -17,482 |
| Net positions | 7,240 | 3,861 |
| | | |
| Foreign currency positions distributed on the five largest net positions: | | |
| EUR | 4,361 | 2,359 |
| USD | 1,091 | 181 |
| SEK | 154 | 295 |
| MXN | 121 | 96 |
| IDR | 121 | 93 |
| Other | 1,392 | 837 |
| Total foreign currency positions | 7,240 | 3,861 |

| | 2020 | 2019 |
|---|---|---|
| *Interest rate risk* | | |
| Total interest rate risk calculated according to the group's internal approach. | 2,970 | 2,241 |

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.

| DKKm | Non-life | Life *) | Other | Total | 2020 % of share-holders' equity |
|---|---|---|---|---|---|
| **Note 40 Sensitivity information** | | | | | |
| *Sensitivity information, group* | | | | | |
| Risk on shareholders' equity in case of specific events: | | | | | |
| Interest rate increase of 1 percentage point | -141 | -22 | -25 | -188 | -3.6 |
| Interest rate fall of 1 percentage point | 16 | 13 | 16 | 45 | 0.9 |
| Share price fall of 15% | -56 | 0 | -6 | -62 | -1.2 |
| Fall in property prices of 15% | -7 | 0 | 0 | -7 | -0.1 |
| Currency risks excluding EUR, 25% decline | -63 | 0 | -14 | -77 | -1.5 |
| 1 percentage point spread widening | -229 | -27 | -22 | -278 | -5.4 |
| Caststrophe events: | | | | | |
| - one "100-year event" | -95 | 0 | 0 | -95 | -1.8 |
| - two "100-year events" | -226 | 0 | 0 | -226 | -4.4 |

*) The risk factors relating to Pension do not include risks related to securities owned by the policyholders.

The order of the risk factors is not an indication of the size or importance of each risk factor.

Note 42 Capital and risk management contains a detailed description of the risks assumed by th group.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 41 Discontinued Operations** | | |
| **Income** | | |
| Premium income | 0 | 0 |
| Interest income, etc. | 241 | 259 |
| Fee income, etc. | 288 | 280 |
| Other income from investment activities | 0 | -2 |
| Profit/loss from investments in associates | 0 | 0 |
| Other income | 260 | 294 |
| **Total income** | **789** | **831** |
| **Costs** | | |
| Claims expenses | 0 | 0 |
| Interest expenses | -20 | -20 |
| Other expenses from investment activities | 0 | 0 |
| Impairment of loans, advances and receivables, etc. | 39 | 81 |
| Acquisition costs and administrative expenses | -729 | -909 |
| **Total costs** | **-710** | **-848** |
| Profit/loss from business ceded | 0 | 0 |
| Change in life insurance provisions | 0 | 0 |
| Change in profit margin | 0 | 0 |
| Value adjustments | 17 | 33 |
| Tax on pension investment returns | 0 | 0 |
| **Profit/loss before tax** | **96** | **16** |
| Tax | -17 | -4 |
| **Profit/loss after tax** | **79** | **12** |

Alm. Brand Bank A/S was sold and transferred to Sydbank with effect from 30 November 2020. The sale was completed at 95% of the net asset value. Alm. Brand A/S thus incurred a loss on the sale of the bank of DKK 106 million including transaction costs.

Intra-group transactions between continuing activities and discontinued activities have been eliminated. Eliminations in 2020 thus amounted to DKK 30 million before tax, while eliminations amounted to DKK 34 million before tax in 2019. The eliminations include fees and interest, among other things.

Overall, these circumstances made for a loss on discontinued activities of DKK 50 million after tax in 2020, against a los of DKK 15 million in 2019.

NOTE 42 CAPITAL AND RISK MANAGEMENT

### Capital management

The capital management is based on the objective of achieving a solid total capital which, in addition to supporting the regulatory requirements, is sufficient to comply with the group-determined requirements to ensure that the company is able to absorb a number of major adverse events such as a major windstorm or losses on the financial markets without such events having any impact on the companies' other liabilities.

The total capital is composed of shareholders' equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin.

### 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 continuous monitoring 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 determines 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 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, including the group's Data Protection Officer (DPO), and the actuarial function.

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 the risk management function, the compliance function, IT and Internal Audit. In addition, the group has established processes for the handling of new (and significantly changed) products to ensure that new risks are sufficiently hedged and that business procedures etc. are established before implementing new products or activities.

### LIQUIDITY MANAGEMENT

In connection with the sale of Alm. Brand Bank, the treasury function was moved to the group investment function. On a day-to-day basis, the investment department monitors and manages liquidity based on the liquidity requirement of the entire group. The objective of the investment function 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.

## Risk parameters


The sections below provide details on the risk scenarios of Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension 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.

**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).

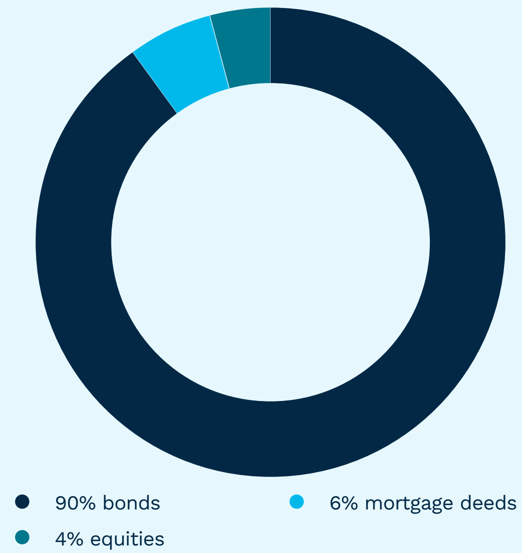
Rules governing acceptance and writing of new business at customer and product level reduce premium risks. Written risks are assessed for the possibility that several policies can be affected by the same loss event (accumulation). Moreover, each customer adviser has been given instructions as to what 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 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, for which the company's risk is assessed using the partial internal model and a number of scenarios based on portfolio exposure and on a calculated probability. Both components show that the current reinsurance programme will provide cover at least for losses resulting from a 1:200-year storm.

## Investment assets Non-life Insurance



For 2020, 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.).

From 1 July 2019, the risk of a terrorist attack is covered under a state terrorism insurance scheme, comprising claims related to attacks involving nuclear, biological or chemical agents. Alm. Brand therefore no longer covers these risks, but still covers claims related to conventional terrorist attacks, which are also covered under the company's catastrophe reinsurance programme.

**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 than in 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 2020 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 and adjusted on an ongoing basis. Interest rate swaps are used to adjust the interest rate risk on the assets. Throughout 2020, 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 if the mortgage deed debtors default on their payment obligations. In connection with the sale of Alm. Brand Bank A/S on 30 November 2020 to Sydbank A/S, this option was taken over by Alm. Brand PIA A/S. This means that PIA retains the credit risk, whereas Alm. Brand Forsikring only assumes the market risk associated with investing in the mortgage deeds.

About 4% of the total portfolio of investment assets 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. In the event of a 15% decline in equity prices, Alm. Brand Forsikring's equity and results at 31 December 2020 would be adversely affected by DKK 57 million.

The currency risk of Alm. Brand Forsikring covers an exposure to emerging market government bonds of about DKK 200 million, an exposure of about DKK 1,200 million to euro-denominated equities, European credit bonds, property funds and market values of derivative fixed-income instruments denominated in foreign currency and a currency risk related to global equities of less than DKK 50 million. Alm. Brand Forsikring pursues a hedging strategy for currency positions in the company's equity mandates which are not invested in euro or Danish kroner.

**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 insurance customers or insurance brokers fail to pay what they owe to Alm. Brand Forsikring.

Type 1 counterparty risk related to reinsurance is the uncertainty associated with the situation that one or more of

# Notes

NOTE 42 CAPITAL AND RISK MANAGEMENT – CONTINUED

Alm. Brand Forsikring's reinsurers go into insolvent liquidation, resulting in a full or 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 PIA. This is due to Alm. Brand Forsikring's option to sell back delinquent mortgage deeds to Alm. Brand PIA A/S.

**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

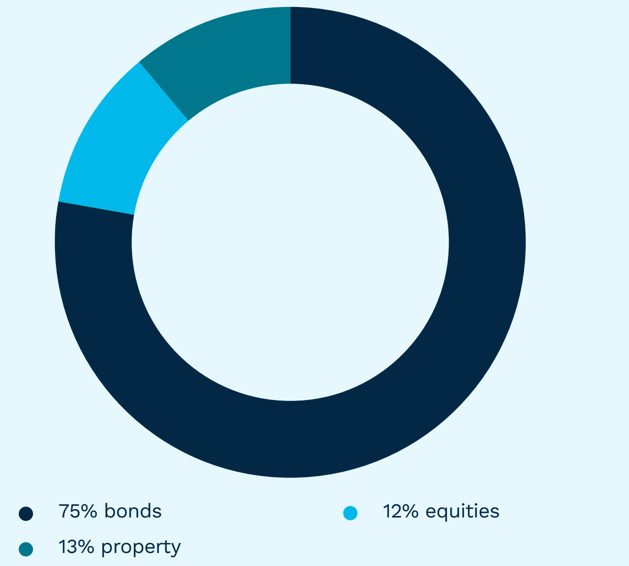
**Life insurance risks**

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. Alm. Brand Liv og Pension A/S generally does not write covers without personal health information being provided, although there are a few exceptions to this general rule. Effective 1 November 2019, Alm. Brand signed up to the insurance industry's common principles on acceptance and continuation in the event of a change of provider of corporate pension schemes (the change-of-provider agreement) as part of the company's growth strategy. Receipt of schemes under the change-of-provider agreement is based on more lenient health information in the form of an employer's statement. Alm. Brand Liv og Pension also has a single product of a limited scope in 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 catastrophe cover in the event of several customers being hit by the same event.

To cover any future fluctuations in biometric risks, a risk margin is added to market value provisions. The risk margin has been determined 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.

## Investment assets, policyholders' funds Life Insurance



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. The calculation of provisions is based on the Danish Financial Supervisory Authority's benchmark for longevity assumptions adjusted to reflect the company's own experience. The Solvency II standard formula is used 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 a maximum of one year due to the possibility of a quick change of price

**Market risks**

For 2020, Alm. Brand Liv og Pension's insurance portfolio is divided into five 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 and guarantees of each individual group.

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. 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 four highest contribution groups, which mainly consist of insurances under disbursement or close to retirement, and the portfolio is thus gradually reduced. At 31 December 2020, the closed portfolios accounted for approximately 32% 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)).

In the event of a 1 percentage point interest rate increase, Alm. Brand Liv og Pension's equity and results at 31 December 2020 would be adversely affected by DKK 22 million. The company's equity and results are not exposed to changes in equity or property values unless in the event of very severe fluctuations.

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 and allocated to each portfolio according to size. The risk tolerance can thus be measured regardless of the guarantees issued in each interest rate contribution group. This has the consequence that groups with large investment buffers will have more higher-risk assets than groups with low investment buffers, as the overall risk exposure for shareholders' equity must be identical.

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.

Property exposure is accepted only for policyholders' funds. Most of the property investments are owner-occupied properties. In 2018, the Board of Directors approved investments in European property funds. The Board of Directors approved additional investments in 2020. About half of the approved total amount was invested in 2020, and the rest is expected to be invested in 2021. 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 hedging strategy for currency positions in the company's equity mandates which are not invested in euro or Danish kroner.

**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.

## 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.

With a view to reducing risks relative to the GDPR rules, the group has a number of common procedures to accommodate requests for access to and erasure 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.

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.

Regulatory risks play an increasingly large role for the general public as well as for Alm. Brand, and non-compliance is becoming an increasingly important factor – also for customers. For instance, this applies to the EU rules under Solvency II, anti-money laundering directives, the General Data Protection Regulation (GDPR) and Danish delegated legislation. The regulatory and strategic risks are monitored and assessed on an ongoing basis, but they are typically not directly measurable.

The group's risk profile and risk management are described in detail at almbrand.dk/risiko.

# Notes

NOTE 43 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 receivables. In addition, significant estimates are applied in the valuation of mortgage deeds and liabilities under insurance contracts.

This note should be read in conjunction with note 35, 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 2020, whereby the state retirement age was raised from 68 to 69 years for people born on or after 1 January 1967. The Act also imposes a duty on the Minister for Social Affairs in 2025 to reassess whether the retirement age should be raised further.

An expert committee has been set up, which has made proposals in connection with a revision of the Danish Act on Industrial Injuries. The most recent legislative amendment at 1 January 2020 concerning the accident concept is assessed to be the first step of this revision, but the 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 – including how the senior pension proposed by the Danish government will affect the claims level – 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 remain 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.

## 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 42 Capital and risk management on pages 102 to 107.

## Sensitivity information

| DKKm | Non-life Insurance | Life Insurance | Other | Total | % of shareholders' equity |
|---|---|---|---|---|---|
| **Sensitivity information, group**<br>Risk on shareholders' equity in case of specific events | | | | | |
| Interest rate increase of 1 percentage point | -141 | -22 | -25 | -188 | -3.6 |
| Interest rate fall of 1 percentage point | 16 | 13 | 16 | 45 | 0.9 |
| Equity price fall of 15% | -56 | 0 | -6 | -62 | -1.2 |
| Fall in property prices of 15% | -7 | 0 | 0 | -7 | -0.1 |
| Currency risk excl. EUR, 25% decline | -63 | 0 | -14 | -77 | -1.5 |
| Spread widening of 1 percentage point | -229 | -27 | -22 | -278 | -5.4 |
| Catastrophe events: | | | | | |
| - one "100-year event" | -95 | - | - | -95 | -1.8 |
| - two "100-year events" | -226 | - | - | -226 | -4.4 |

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.

NOTE 44 ACCOUNTING POLICIES

## 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**

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

## 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 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 commencement date is currently 1 January 2023. 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.

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 subsequent to initial recognition be measured 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 44 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.

### Other income from investment activities

The item includes the operating profit on investment property after deduction of related administrative expenses.

### Other income

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.

### 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

Intangible assets are measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Intangible assets are amortised on a straight-line basis over an expected useful life not exceeding five years.

In determining cost, all costs that are directly attributable to development 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 as well as assets comprised by IFRS 16 Leases. 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 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 group's other delinquent mortgage deeds.

Prepayments comprises expenses incurred prior to the balance sheet date but which relate to a subsequent accounting period.

**Leasing**
On conclusion of a contract, an assessment is made of whether the contract is, or contains, a lease. This is established based on the following assumptions:
- the underlying asset may be identified;
- the group is entitled to obtain all economic benefits from use of the asset;
- the group is entitled to direct the use of the asset.

Alm. Brand recognises a right of use or similar liability for all leases. If the group is the lessee, however, short-term leases (12 months or less) or leases of low-value assets are not included.

Upon commencement or reassessment of a contract containing lease components, a right of use (ROU asset) and a lease liability are recognised. ROU assets are measured at initial cost, comprising the initial amount of the lease liability adjusted for
- lease payments made at or prior to commencement;
- any direct costs;
- lease incentives received;
- estimated term of the contract.

ROU assets are tested for impairment in the event of changes to the contractual basis etc.

**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:

| | |
|---|---|
| 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.

### 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.

### 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.

### Dividend
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.

### Employee shares
Alm. Brand has established an employee share scheme, under which an employee may receive shares in Alm. Brand against a salary reduction. The value of the shares is recognised on an ongoing basis as staff costs in the income statement. The shares are granted on a quarterly basis.

### 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 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.

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 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 comprises the amount which the company is expected to have to pay to a third party to take over the risk. 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, 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.

**Leasing**

On initial recognition, lease liabilities are measured at the present value of the lease payments. For discounting, the rate implicit in the lease is used, if such rate can be readily determined. Alternatively, the borrowing rate on the company's overdraft facility at the time of conclusion of the contract is used. Subsequently, the liability is measured at amortised cost applying the effective interest method and recognised in "Other liabilities". Remeasurement is effected in the event of a change in the lease payments.

### 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.

# Notes

NOTE 44 ACCOUNTING POLICIES – CONTINUED

### SEGMENT INFORMATION

The business segments Non-life Insurance, Life Insurance and Other activities 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.

Other activities comprise corporate functions consolidated in Alm. Brand A/S and the operation of a debt collection and mortgage deed portfolio taken over from Alm. Brand Bank.

### 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

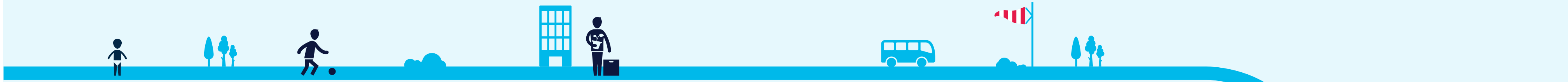
The forecast is based on the interest rate and price levels prevailing at the beginning of February 2021. All other forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's 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.

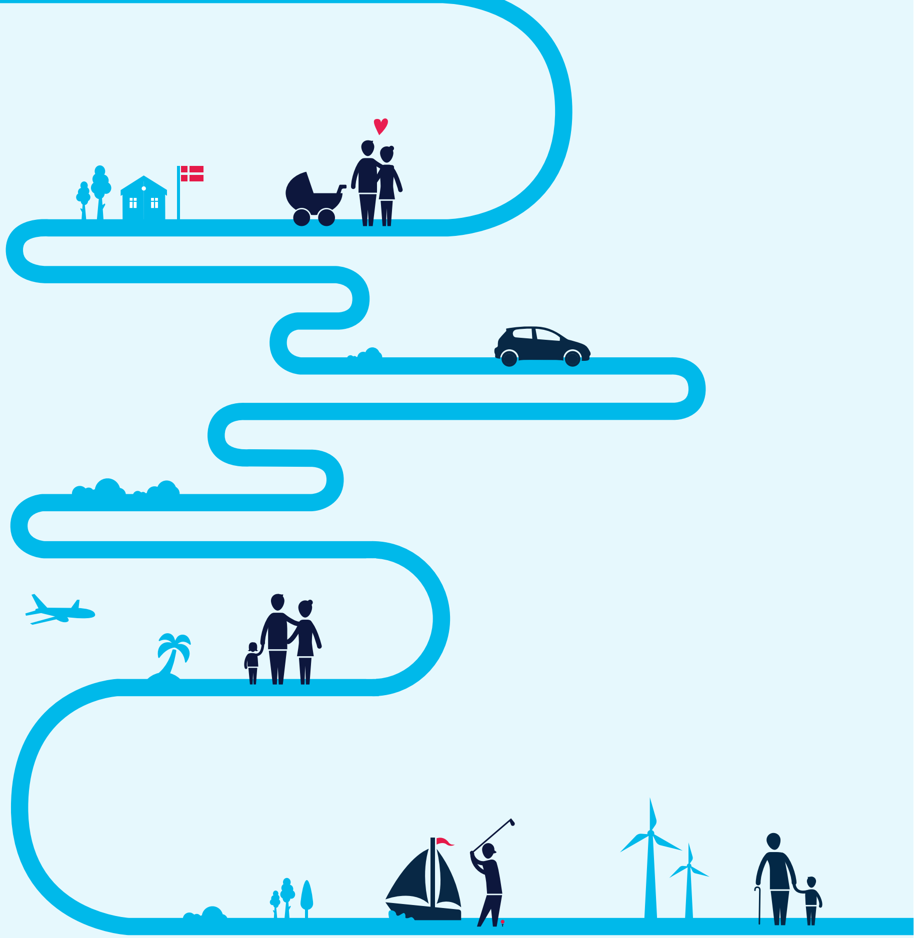
Actual and future results and developments may differ materially from those contained or assumed in such statements. Matters which may affect the future development and results of the group as well as of the individual business areas include changes in economic conditions in the financial markets, legislative 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*



# Income and comprehensive income statement

| | | Parent company | |
|---|---|---|---|
| **DKKm** | **Note** | **2020** | **2019** |
| **Income statement** | | | |
| Income from group enterprises | 1 | 771 | 518 |
| Interest income and dividends, etc. | 2 | 7 | 3 |
| Interest expenses | 3 | -8 | -8 |
| Value adjustments | 4 | -13 | 0 |
| Administrative expenses related to investment activities | 5 | -148 | -96 |
| **Total return on investments** | | **609** | **417** |
| **Profit/loss before tax, continuing activities** | | **609** | **417** |
| Tax, continuing activities | 6 | 34 | 23 |
| **Profit/loss after tax, continuing activities** | | **643** | **440** |
| Profit/loss after tax, discontinuing activities | | -27 | 12 |
| **Profit/loss after tax** | | **616** | **452** |
| **Proposed allocation of profit/loss for the year:** | | | |
| Proposed dividend | | 1,079 | 460 |
| Retained earnings | | -463 | -8 |
| **Profit/loss for the year** | | **616** | **452** |
| **Comprehensive income** | | | |
| Profit/loss for the year | | 616 | 452 |
| **Total comprehensive income** | | **616** | **452** |
| **Proposed allocation:** | | | |
| Proposed dividend | | 1,079 | 460 |
| Retained earnings | | -463 | -8 |
| **Total comprehensive income** | | **616** | **452** |

# Balance sheet as at 31 December

| DKKm | Note | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Investment in group enterprises | 7 | 3,964 | 4,948 |
| **Total investments in group enterprises** | | **3,964** | **4,948** |
| Equity investments | | 30 | 1 |
| Bonds | | 1,600 | 0 |
| Other loans and advances | | 2 | 2 |
| Cash in hand and balances at call | 8 | 38 | 1 |
| **Total other financial investment assets** | | **1,670** | **4** |
| **Total investment assets** | | **5,634** | **4,952** |
| Receiveables from group enterprises | | 3 | 0 |
| Other receivables | 9 | 49 | 53 |
| **Total receivables** | | **52** | **53** |
| Current tax assets | 10 | 15 | 22 |
| Other assets | | 550 | 175 |
| **Total other assets** | | **565** | **197** |
| Interest receivable | | 6 | 0 |
| Miscellaneous prepayments | | 0 | 6 |
| **Total prepayments and accrued income** | | **6** | **6** |
| **Total assets** | | **6,257** | **5,208** |

| | Note | Parent company 2020 | Parent company 2019 |
|---|---|---|---|
| **Liabilities and equity** | | | |
| Share capital | | 1,541 | 1,577 |
| Other provisions | | 1,215 | 1,215 |
| Proposed dividend | | 1,079 | 460 |
| Retained earnings | | 1,332 | 1,324 |
| **Total shareholders' equity** | 11 | **5,167** | **4,576** |
| Subordinated debt | | 250 | 250 |
| **Total subordinated debt** | 12 | **250** | **250** |
| Deferred tax liabilities | 13 | 18 | 37 |
| **Total provisions** | | **18** | **37** |
| Payables to group enterprises | | 1 | 149 |
| Issued bonds | | 152 | 0 |
| Other payables | | 669 | 196 |
| **Total payables** | | **822** | **345** |
| **Total liabilities and equity** | | **6,257** | **5,208** |
| Contingent liabilities, guarantees and lease agreements | 14 | | |
| Staff costs | 15 | | |
| Auditors' fees | 16 | | |
| Related parties | 17 | | |
| Accounting policies | 18 | | |

# Statement of changes in equity

| DKKm | Share capital | Other provisions | Retained earnings | Proposed dividend | Share-holders' equity |
|---|---|---|---|---|---|
| **Shareholders' equity at 1 January 2019** | **1,610** | **1,215** | **1,453** | **470** | **4,748** |
| **Changes in shareholders' equity 2019:** | | | | | |
| Profit/loss for the year | | | 452 | | 452 |
| Comprehensive income | | | 452 | | 452 |
| Cancellation of treasury shares | -33 | | 33 | | 0 |
| Proposed dividend | | | -460 | 460 | 0 |
| Dividende distributed | | | 3 | -470 | -467 |
| Share option scheme, exercise | | | 33 | | 33 |
| Purchase and sale of treasury shares | | | -190 | | -190 |
| **Changes in shareholders' equity** | **-33** | **0** | **-129** | **-10** | **-172** |
| **Shareholders' equity at 31 December 2019** | **1,577** | **1,215** | **1,324** | **460** | **4,576** |
| **Shareholders' equity at 1 January 2020** | **1,577** | **1,215** | **1,324** | **460** | **4,576** |
| **Changes in shareholders' equity 2020:** | | | | | |
| Profit/loss for the year | | | 616 | | 616 |
| Revaluation of owner-occupied properties in subsidiaries | | | 2 | | 2 |
| Comprehensive income | | | 618 | | 618 |
| Cancellation of treasury shares | -36 | | 36 | | 0 |
| Proposed dividend | | | -1,079 | 1,079 | 0 |
| Cancellation of proposed dividend | | | 460 | -460 | 0 |
| Capital movements in subsidiaries | | | 3 | | 3 |
| Share option scheme, exercise | | | 11 | | 11 |
| Purchase and sale of treasury shares | | | -41 | | -41 |
| **Changes in shareholders' equity** | **-36** | **0** | **8** | **619** | **591** |
| **Shareholders' equity at 31 December 2020** | **1,541** | **1,215** | **1,332** | **1,079** | **5,167** |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 1 Income from group enterprises** | | |
| Alm. Brand PIA A/S | 3 | 0 |
| Alm. Brand Forsikring A/S | 768 | 518 |
| **Total income from group enterprises** | **771** | **518** |
| *The results are recognised in the following items:* | | |
| Income from group enterprises | 771 | 518 |
| Total income from group enterprises | 771 | 518 |
| **Note 2 Interest income and dividends, etc.** | | |
| Bonds | 1 | 0 |
| Interest Alm. Brand Bank | 6 | 3 |
| **Total interest income and dividends, etc.** | **7** | **3** |
| **Note 3 Interest expenses** | | |
| Interest expenses, group enterprises | -6 | -7 |
| Other interest expenses | -2 | -1 |
| **Total interest expenses** | **-8** | **-8** |
| **Note 4 Value adjustments** | | |
| Bonds | -4 | 0 |
| Equity investments | -9 | 0 |
| **Total value adjustments** | **-13** | **0** |
| **Note 5 Administrative expenses related to investment activities** | | |
| Cost, group enterprises | -1 | -1 |
| Other costs | -147 | -95 |
| **Total administrative expenses related to investment activities** | **-148** | **-96** |

| | 2020 | 2019 |
|---|---|---|
| **Note 6 Tax, continuing activities** | | |
| Estimated tax on profit/loss for the year | 15 | 22 |
| Adjustment of deferred tax | 19 | 1 |
| **Total tax** | **34** | **23** |
| *Tax for the year consists of:* | | |
| Tax on accounting profit | 36 | 22 |
| Non-deductible expenses and non-taxable income | -2 | 1 |
| Total tax | 34 | 23 |
| Effective tax rate | 5.6% | 5.5% |
| **Note 7 Investment in group enterprises** | | |
| Cost, beginning of year | 8,941 | 8,941 |
| Additions during the year | 140 | 0 |
| Disposals | -5,642 | 0 |
| Cost, year-end | 3,439 | 8,941 |
| Revaluation and impairment, beginning of year | -3,993 | -3,924 |
| Dividend received | 0 | -600 |
| Profit/loss for the year | 851 | 530 |
| Reversal of impairment, cessation | 3,663 | 0 |
| Revaluation and impairment of treasury shares in subsidiaries | 4 | 1 |
| Revaluation and impairment, year-end | 525 | -3,993 |
| **Investment in group enterprises, year-end** | **3,964** | **4,948** |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| Note 7 Investment in group enterprises - continued | | |
| Specification of carrying amount: | | |
| Alm. Brand Bank A/S | | |
| (DKK 1,021 million nominal value wholly owned ) | 0 | 1,895 |
| Alm. Brand PIA A/S | | |
| (DKK 400 thousand nominal value wholly owned ) | 143 | 0 |
| Alm. Brand Forsikring A/S | | |
| (DKK 1,032 million nominal value wholly owned ) | 3,821 | 3,053 |
| Investment in group enterprises, year-end | 3,964 | 4,948 |

| | 2020 | 2019 |
|---|---|---|
| **Note 8 Cash in hand and balances at call** | | |
| Deposits held at call, Alm. Brand Bank | 38 | 0 |
| Escrow account, Alm. Brand Bank | 0 | 1 |
| **Cash in hand and balances at call, year-end** | **38** | **1** |

| | 2020 | 2019 |
|---|---|---|
| **Note 9 Other receivables** | | |
| Miscellaneous debtors | 4 | 6 |
| Rent deposit | 36 | 39 |
| Pensionskassen under Alm. Brand A/S | 9 | 8 |
| **Other receivables, year-end** | **49** | **53** |

| | 2020 | 2019 |
|---|---|---|
| **Note 10 Current tax assets** | | |
| Current tax assets, beginning of year | 22 | 16 |
| Tax paid in respect of prior years | -22 | -16 |
| Tax on profit/loss for the year | 15 | 22 |
| **Current tax assets, year-end** | **15** | **22** |

| | 2020 | 2019 |
|---|---|---|
| **Note 11 Shareholders' equity** | | |
| Share capital, beginning of year | 1,577 | 1,610 |
| Cancellation of treasury shares | -36 | -33 |
| **Share capital, year-end** | **1,541** | **1,577** |

The share capital consists of 154,114,000 shares of DKK 10 each and has been fully paid up.

| DKKm | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Share capital, beginning of year | 1,577 | 1,610 | 1,655 | 1,735 | 1,735 |
| Cancellation of treasury shares | -36 | -33 | -45 | -80 | |
| Share capital, year end | 1,541 | 1,577 | 1,610 | 1,655 | 1,735 |

Reference is made to the statement of changes in equity.

| DKKm | 2020 |
|---|---|
| Shareholders' equity | 5,167 |
| Proposed dividend | -2,310 |
| Deferred tax assets | -22 |
| Subordinated debt | 250 |
| Total capital | 3,085 |

Proposed dividend includes a dividend payout of DKK 1,231 million made on 8 January 2021. After the sale of Alm. Brand Bank A/S, the parent company Alm. Brand A/S has been classified as a financial insurance holding company and is required to comply with the Solvency II rules. As a result of this, no comparative figures have been provided.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| Note 11 Shareholders' equity- continued | | |
| *No. of shares* | | |
| Reconciliation of the no. of shares (1,000) | | |
| Issued shares, beginning of year | 157,660 | 161,000 |
| Treasury shares, beginning of year | -3,338 | -4,286 |
| No. of shares, beginning of year | 154,322 | 156,714 |
| | | |
| Shares acquired/sold during the year | -435 | -2,392 |
| Cancellation of treasury shares | 3,546 | 3,340 |
| Issued shares, year end | 154,114 | 157,660 |
| Treasury shares, year end | -227 | -3,338 |
| No. of shares at year-end | 153,887 | 154,322 |
| | | |
| *Treasury shares* | | |
| Nominal value, beginning of year | 34 | 43 |
| Acquired during the year, net | 4 | 24 |
| Cancellation of treasury shares | -35 | -33 |
| Nominal value, year-end | 3 | 34 |
| | | |
| Holding (1,000), beginning of year | 3,338 | 4,286 |
| Acquired during the year | 1,229 | 3,891 |
| Sold during the year | -794 | -1,499 |
| Cancellation of treasury shares | -3,546 | -3,340 |
| Holding (1,0000), year-end | 227 | 3,338 |
| | | |
| Percentage of share capital | 0.1% | 2.1% |

| | 2020 | 2019 |
|---|---|---|
| **Note 12 Total subordinated debt** | | |
| Floating rate bullet loans maturing 1 April 2029 | 250 | 250 |
| **Subordinated debt, year-end** | **250** | **250** |
| | | |
| Interest on subordinated debt | 6 | 7 |
| 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 2.5 percentage points. The subordinate loan capital is included in the calculation of total capital under the current rules.

| | 2020 | 2019 |
|---|---|---|
| **Note 13 Deferred tax liabilities** | | |
| Deferred tax liabilities, beginning of year | 37 | 38 |
| Change for the year | -19 | -1 |
| **Deferred tax liabilities, year-end** | **18** | **37** |
| | | |
| Deferred tax on contingency funds in group enterprises | 40 | 40 |
| Deferred tax on equipment | -1 | -1 |
| Deferred tax on provisions | -21 | -2 |
| Deferred tax liabilities, year-end | 18 | 37 |

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 14 Contingent liabilities,** | | |
| Guarantee commitments | 152 | 168 |

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.

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.

| | 2020 | 2019 |
|---|---|---|
| **Note 15 Staff costs** | | |
| Salaries and wages | 13 | 40 |
| Pension | 2 | 6 |
| Share-based payment | 1 | 1 |
| **Total salaries and wages, pension, etc.** | **16** | **47** |
| Average number of employees | 2 | 3 |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Parent company | Alm. Brand Group | Parent company | Alm. Brand Group |
| *Remuneration to the Management Board and Board of Directors (DKK '000)* | | | | |
| Salaries and wages | 6,987 | 6,987 | 33,511 | 33,511 |
| Pension plans | 1,405 | 1,405 | 5,448 | 5,448 |
| Share-based payment | 545 | 545 | 876 | 876 |
| Total remuneration to the Management Bc | 8,937 | 8,937 | 39,835 | 39,835 |
| Directors' fees | 4,249 | 5,465 | 4,272 | 5,597 |
| Total remuneration to the Management Board and Board of Directors | 13,186 | 14,402 | 44,107 | 45,432 |
| *Alm. Brand Group remuneration to the Board of Directors (DKK '000)* | | | | |
| Jørgen Hesselbjerg Mikkelsen (Formand) | 805 | 1,140 | 805 | 1,155 |
| Jan Skytte Pedersen (Næstformand) | 557 | 865 | 557 | 880 |
| Anette Eberhard | 390 | 640 | 390 | 655 |
| Ebbe Castella (retired in 2020) | 198 | 319 | 300 | 485 |
| Boris Nørgaard Kjeldsen | 270 | 470 | 270 | 485 |
| Per Viggo Hasling Frandsen | 270 | 380 | 270 | 380 |
| Karen Sofie Hansen-Hoeck | 300 | 300 | 300 | 300 |
| Flemming Fuglede Jørgensen | 270 | 380 | 270 | 380 |
| Pia Laub (joined in 2020) | 103 | 119 | 0 | 0 |

*Continued on the next page*

# Notes

| | 2020 | 2020 | 2019 | 2019 |
|---|---|---|---|---|
| | Parent company | Alm. Brand Group | Parent company | Alm. Brand Group |
| Brian Egested (employee representative) | 270 | 300 | 270 | 300 |
| Claus Nexø Jensen (employee representative) | 270 | 300 | 270 | 300 |
| Susanne Larsen (employee representative, retired in 2020) | 275 | 275 | 300 | 300 |
| Helle Låsby Frederiksen (employee representative, retired in 2020) | 209 | 232 | 270 | 300 |
| Lotte Kathrine Sørensen (employee representative, joined in 2020) | 62 | 69 | 0 | 0 |
| Total remuneration to the Board of Direct | 4,249 | 5,789 | 4,272 | 5,920 |
| | | | | |
| No. of members of the Management Boar | 1 | | 1 | |
| No. of members of the Board of Directors | 11 | | 12 | |

Remuneration to the Management Board comprises remuneration to Chief Executive Officer Rasmus Werner Nielsen. The 2019 remuneration to the  Management Board includes remuneration and severance payments to former Chief Executive Officer.

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 total remuneration including any severance payments accruing to the chief executive officer in the event of termination of employment cannot constitute more than up to the equivalent of two years' remuneration.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 90 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually.

| | 2020 | 2019 |
|---|---|---|
| *Remuneration to risk takers (DKK '000)* | | |
| Fixed salary | 39,759 | 18,534 |
| Pension | 6,889 | 3,732 |
| Variable salary | 447 | 0 |
| Share-based payment | 2,262 | 1,171 |
| Total remuneration to risk takers | 49,357 | 23,437 |
| | | |
| Number of risk takers | 20 | 13 |

Risk takers are those persons who, in accordance with the Danish Executive Order on remuneration policy and remuneration in insurance companies, insurance holding companies and company pension funds, have a material influence on the company's risk profile.

Remuneration to risk takers is included in the allocated costs.

In 2020 remuneration to risk takers includes salary etc. in connection with severance.

In 2020 a one-off fee has been paid to risk takers, but no bonus has been disibursed.

# Notes

| DKKm | 2020 | 2019 |
|---|---|---|
| **Note 16 Audit fees** | | |
| *Audit fees (DKK '000)* | | |
| Deloitte - Audit | 1,015 | 621 |
| Deloitte - Other assurance engagements | 252 | 24 |
| Deloitte - Tax consultancy | 582 | 618 |
| Deloitte - Non-audit services | 0 | 566 |
| Total audit fees | 1,849 | 1,829 |

**Note 17 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:

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.

In February 2020, the bank exercised a DKK 150 million drawing right. The loan was repaid in connection with the sale of Alm. Brand Bank A/S to Sydbank.

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.

**Note 18 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 110 to 119, the accounting policies are consistent with those applied in the 2019 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.

**Underlying claims ratio (Non-life Insurance):**
The underlying combined ratio less the expense ratio.

**Claims experience (Non-life Insurance):**
This figure is calculated as the sum of the claims ratio and the reinsurance ratio.

**Run-off result, claims (Non-life Insurance):**
The run-off result on claims reflects the gains and/or losses relating to prior-year technical provisions which affect the result for the current year.

**Run-off result, risk margin (Non-life Insurance):**
The run-off result on the risk margin is to a significant extent offset by developments in the risk margin for the current year and is hence more or less neutral for the profit for the year.

**Return requirement for shareholders' equity (Life Insurance):**
Profit before tax broken down according to the guidelines for return on equity which the company has reported to the Danish Financial Supervisory Authority.

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.

| | | | |
|---|---|---|---|
| | **Return on equity before tax** | = | Profit before tax x 100 / Average shareholders' equity |
| | **Return on equity after tax** | = | Profit for the year x 100 / 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.

| | | | |
|---|---|---|---|
| | **Net asset value per share** | = | Shareholders' equity x 100 / No. of shares at year-end |
| | **Earnings per share** | = | Profit for the year after tax x 100 / Average no. of shares |
| | **Diluted earnings per share** | = | Profit for the year after tax x 100 / Average no. of shares |
| | **Price/NAV** | = | Share price / 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.

| | | | |
|---|---|---|---|
| | **Gross claims ratio** | = | Gross claims expenses x 100 / Gross premium income |
| | **Gross expense ratio** | = | Insurance operating expenses x 100 / Gross premium income |
| | **Net reinsurance ratio** | = | Profit/loss on reinsurance x 100 / Gross premium income |
| | **Combined ratio** | = | (Gross claims expenses + Insurance operating expenses + Profit/loss on reinsurance) x 100 / Gross premium income |
| | **Operating ratio** | = | (Gross claims expenses + Insurance operating expenses + Profit/loss on reinsurance) x 100 / 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.

# Group companies

| DKKm | | Profit/loss for the year | Shareholders' equity year-end | Ownership interest |
|---|---|---|---|---|
| **Holding** | | | | |
| Alm. Brand A/S, Copenhagen | Holding | 616 | 5,167 | |
| **Non-life Insurance** | | | | |
| Alm. Brand Forsikring A/S, Copenhagen | Non-life Insurance | 768 | 3,821 | 100% |
| **Life Insurance** | | | | |
| Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen | Non-life Insurance | 105 | 795 | 100% |
| Alm. Brand Ejendomsinvest A/S, Copenhagen | Property | 105 | 1,419 | 100% |
| **Other companies** | | | | |
| Alm. Brand Præmieservice A/S, Copenhagen | Financing | 0 | 1 | 100% |
| Alm. Brand PIA A/S, Copenhagen | Administration | 3 | 143 | 100% |

"Ownership interest" indicates Alm. Brand A/S's direct or indirect ownership interests.