

ALM. BRAND

Interim report the first quarter 2020

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



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Company information

Group companies

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



Denmark's
4th largest insurer

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

Life Insurance and
Pension based on
personal advice

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

Helping customers
every day

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

Alm. Brand Group

	DKKm	Q1 2020	Q1 2019	FY 2019
GROUP	Income			
	Non-life Insurance	1,361	1,313	5,365
	Life Insurance	424	592	1,850
	Banking	215	200	825
	Investment etc.	105	94	406
	Total income	2,105	2,199	8,446
	Profit/loss			
	Non-life Insurance	25	195	607
	Life Insurance	32	29	96
	Banking	-8	16	67
	Other activities	-16	-15	-86
	Profit before tax excluding extraordinary costs	33	225	684
	Extraordinary costs	-	-	-115
	Profit/loss before tax	33	225	569
	Tax	-8	-49	-117
	Profit/loss after tax	25	176	452
	Total provisions for insurance contracts	23,862	23,292	23,593
	Consolidated shareholders' equity	4,566	4,909	4,576
	Total assets	42,599	41,556	41,798
	Average no. of employees	1,750	1,743	1,796
	Return on equity before tax (%) *	2.9	18.7	14.8
	Return on equity after tax (%) *	2.2	14.6	11.7

	DKKm	Q1 2020	Q1 2019	FY 2019
FINANCIAL RATIOS	Earnings per share	0.2	1.1	2.9
	Diluted earnings per share	0.2	1.1	2.9
	Net asset value per share	30	31	30
	Share price, end of period	46.5	57.4	59.2
	Price/NAV	1.57	1.84	2.00
	Average no. of shares (in thousands)	154,071	156,511	155,832
	No. of shares at end of period, diluted (in thousands)	153,905	157,416	154,588
	Average no. of shares, diluted (in thousands)	154,273	157,617	156,527
	Dividend per share	-	-	3.0
	No. of shares bought back (in thousands)	809	539	3,891
	Avg. price of shares bought back, DKK	57.3	54.6	56.0

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

Stable underlying business despite the extraordinary situation triggered by COVID-19

Q1 PERFORMANCE

The special situation triggered by COVID-19 affected Alm. Brand in various ways, and the group experienced an impact on results across all business areas. Price falls in the financial markets, a deteriorated outlook for Danish macroeconomics and changes in customer behaviour caused by the COVID-19 lockdown left their mark on Q1 performance, albeit only with a modest effect on the underlying business. The effect is most clearly illustrated by the group's negative return on the portfolio of investment assets.

The scope of the overall impact from COVID-19 on the group's business areas will depend on the duration of the COVID-19 situation and will cause greater uncertainty about some of the business areas' results. However, the group's business is generally considered to be so robust that most of the business activities will only be affected to a minor extent in 2020.

Alm. Brand generated a pre-tax profit of DKK 33 million in Q1 2020, against a profit of DKK 225 million in the year-earlier period. The profit reflected satisfactory underlying performances in all three business areas and was in line with expectations. However, the first quarter of 2020 was impacted by negative follow-on effects of COVID-19, which resulted in a loss on the group's portfolio of investment assets. Alm. Brand generated a pre-tax profit of DKK 33 million in Q1 2020, against a profit of DKK 225 million in the year-earlier period.

The realised profit equalled a return on equity of 2.9%.

Non-life Insurance

Non-life Insurance reported a technical result of DKK 131 million in Q1 2020, against DKK 205 million in Q1 2019, which was favourably affected by an exceptionally low level of expenses for weather-related and major claims. The performance was satisfactory and in line with expectations. Including a loss on investment assets of DKK 106 million, the pre-tax profit for the period was DKK 25 million. The investment result is mainly composed of unrealised losses on shares and bonds and reflected a general trend in the financial markets.

Up until the lockdown of major parts of Danish society, non-life insurance activities were generally developing in line with expectations. After the lockdown had become a reality, Non-life Insurance began recording changes in the claims experience due to COVID-19, including an increase in the number of claims related to travel insurance and a reduction in the number of claims related to motor insurance claims and burglaries.

The combined ratio was 90.4, in addition to the above being favourably affected by a low level of expenses for major claims and by run-off gains, which, as expected, were at a lower level than in Q1 2019, however.

The expense ratio was 17.6 in Q1 2020, against 18.0 in Q1 2019.

Gross premiums amounted to DKK 1,361 million in Q1 2020, an increase of 3.7% from DKK 1,313 million in Q1 2019. Both commercial and private lines developed favourably, reporting growth of 2.9% and 4.4%, respectively.

Life Insurance

Life Insurance produced a pre-tax profit of DKK 32 million in Q1 2020, against DKK 29 million in Q1 2019. The performance was highly satisfactory and better than expected. Total pension contributions amounted to DKK 424 million in Q1 2020, against DKK 592 million in Q1 2019. The decline reflects a 50% reduction in single contributions, while regular payments increased by 5.8%.

The bonus rate was 12.9% at 31 March 2020, which was a year-to-date decline of 3.3 percentage points. The bonus rate was adversely affected by developments in the financial markets triggered by COVID-19. At currently 2.5%, the rate on policyholders' savings is among the highest rates offered in the Danish market.

Banking

The bank reported core earnings of DKK 16 million before tax in Q1 2020, against DKK 11 million in Q1 2019, supported by higher net interest and fee income and fee income and lower costs. However, lower trading income to some extent offset this increase. Financial market turmoil and a deteriorated macroeconomic outlook caused by COVID-19 affected the bank's financial results as reflected in lower trading income, negative value adjustments on the bank's portfolio of securities and impairment writedowns on loans. As a result, the bank incurred a loss of DKK 8 million in Q1 2020.

The bank's income amounted to DKK 164 million in Q1 2020, against DKK 162 million in Q1 2019. This increase was predominantly driven by a 9% increase in net interest

and fee income as a result of the introduction of negative interest rates and fee changes for private customers.

The portfolio of Totalkredit loans was DKK 16.9 billion, which was on a par with 31 December 2019. Bank lending was unchanged throughout the quarter, reflecting a hesitant and cautious approach among the bank's customers. The total business volume was DKK 22.9 billion, against DKK 22.8 billion at 31 December 2019.

Other activities

Other business activities, consisting primarily of group expenses, performed in line with expectations, reporting a pre-tax loss of DKK 16 million in Q1 2020, against a loss of DKK 14 million in the same period of 2019.

CAPITALISATION

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

The group's capitalisation level is considered sufficient to resist very severe stresses. The group's total capital including MREL capital in the bank was DKK 5.3 billion at 31 March 2020, corresponding to an excess of more than DKK 2.7 billion relative to the aggregate capital requirement for the group, which consists of the solvency capital requirement of the insurance group and the MREL requirement of the bank. Alm. Brand had an excess of 207% relative to the solvency capital and MREL requirements at 31 March 2020, which means that the group stands well prepared to handle the risks associated with its activities.

In light of the considerable uncertainty surrounding the economic consequences of COVID-19, the Board of Directors of Alm. Brand A/S in mid-April resolved to reconsider its recommendation in respect of the allocation of profit and has therefore postponed the decision on payment of dividend for 2019 for the time being until autumn 2020. In spite of the group's strong capitalisation and robust business model, the continued uncertainty about the duration and consequences of the virus outbreak is considered to require flexibility.

Capitalisation

DKKm	Q1 2020	FY 2019
Total capital for the group (including MREL capital)*	5,285	5,058
Solvency capital and MREL requirements for the group	2,559	2,620
Excess relative to solvency capital and MREL requirements	2,726	2,771
Excess coverage ratio	207%	206%

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

The excess increased in Q1 2020. The group's solvency capital and MREL requirements decreased over the quarter, mainly as a result of the removal of the counter-cyclical buffer requirement in the bank, which was partly offset by the phase-in of the MREL add-on. The group has financed the bank's MREL add-on by raising non-preferred senior debt, which, together with the Q1 earnings, lifted the excess.

MAJOR EVENTS

Closing of share buyback programme

On 12 March 2020, Alm. Brand closed its DKK 200 million share buyback programme. The principal shareholder, Alm. Brand af 1792 fmba, participated proportionately in the buyback programme, thereby maintaining its ownership interest of 58%.

MAJOR EVENTS AFTER THE BALANCE SHEET DATE

Annual general meeting of Alm. Brand A/S

On 15 April 2020, Alm. Brand announced a postponement of this year's annual general meeting as a result of the measures taken in Denmark in response to COVID-19. The date of the annual general meeting will be announced as soon as circumstances allow it. The Board of Directors has furthermore chosen to reconsider its recommendation in respect of the allocation of profit, including payment of dividend for the 2019 financial year, and has postponed the decision on payment of dividend for 2019 for the time being until autumn 2020.

At an upcoming annual general meeting, the shareholders will moreover have to decide on a reduction of the company's share capital by 3,546,000 shares of DKK 10 each by cancellation of shares bought back after which the company's share capital will amount to DKK 1,541,140,000.

OUTLOOK FOR 2020

Alm. Brand expects to generate a pre-tax profit of DKK 550-700 million excluding run-off result in the next nine months, which is unchanged from the guidance provided in company announcement no. 21/2020 of 19 March 2020.

The underlying performance was in line with expectations in Q1 2020, including the immediate effects of the changes implemented to unlock the full potential of Alm. Brand's strategy.

However, the guidance is subject to greater-than-usual uncertainty due to the follow-on effects of COVID-19 on the investment result and impairment writedowns on loans in particular. Against this background, Alm. Brand maintains the widened guidance range for consolidated profit for the year to reflect this uncertainty.

Accordingly, Alm. Brand revises its full-year guidance for Non-life Insurance to a pre-tax profit of about DKK 500 million excluding run-off result for the next nine months, against the previously guided pre-tax profit of DKK 525 million excluding run-off result. For Life Insurance, the guidance for a pre-tax profit of about DKK 100 million is maintained, while the guidance for Banking is revised to a pre-tax profit of about DKK 80 million, against a previously guided pre-tax profit of DKK 100 million. Other business activities are expected to report a loss of DKK 60 million before tax.

THE GROUP'S FINANCIAL TARGETS FOR 2022

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

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

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

Non-life Insurance

DKKm		Q1 2020	Q1 2019	FY 2019
INCOME STATEMENT	Gross premium income	1,361	1,313	5,365
	Claims expenses	-929	-809	-3,616
	Insurance operating expenses	-239	-236	-933
	Profit/loss on reinsurance	-62	-63	-246
	Technical result	131	205	570
	Interest and dividends, etc.	25	33	136
	Value adjustments	-155	81	44
	Administrative expenses related to investment activities	-8	-6	-27
	Return on and value adjustment of technical provisions	32	-118	-116
	Investment return after return on and value adjustment of provisions	-106	-10	37
	Profit before tax excluding extraordinary costs	25	195	607
	Extraordinary costs	-	-	-44
	Profit/loss before tax	25	195	563
Tax	-7	-44	-127	
Profit/loss after tax	18	151	436	

DKKm		Q1 2020	Q1 2019	FY 2019
BALANCE SHEET	Run-off result, claims	26	38	77
	Run-off result, risk margin	14	15	65
	Technical provisions	8,032	7,960	7,375
	Insurance assets	179	175	148
	Shareholders' equity	2,445	2,552	2,426
	Total assets	11,280	11,255	10,721
FINANCIAL RATIOS	Gross claims ratio *)	68.3	61.7	67.4
	Net reinsurance ratio	4.5	4.7	4.6
	Claims experience	72.8	66.4	72.0
	Gross expense ratio *)	17.6	18.0	17.4
	Combined ratio *)	90.4	84.4	89.4
	Combined ratio excluding run-off result *)	92.3	87.3	90.8
	Combined ratio including extraordinary costs	90.4	84.4	90.2
	Return on equity before tax (%) *)	4.1	31.5	24.1
	Return on equity after tax (%) *)	3.0	24.4	18.6

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

Non-life Insurance

Negative investment result, but satisfactory technical result

Q1 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 25 million in Q1 2020, against DKK 195 million in Q1 2019, which was generally not satisfactory and somewhat below expectations. However, the performance was widely attributable to a negative investment result.

The technical result was DKK 131 million, equivalent to a combined ratio of 90.4, which was better than expected and satisfactory. By comparison, the technical result of DKK 205 million reported for Q1 2019 was exceptionally good.

The Q1 2020 performance was favourably affected by few expenses for major claims as well as by run-off gains, although these, as expected, were at a lower level than in previous years. Net of run-off gains, the combined ratio was 92.3 in Q1 2020.

Combined ratio

	Q1 2020	Q1 2019	FY 2019
Combined ratio, underlying business *)	83.8	82.4	82.6
Weather-related claims, net of reinsurance	4.0	2.2	2.6
Major claims, net of reinsurance	3.8	2.4	5.7
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-1.9	-2.9	-1.4
Change in risk margin, run-off result and current year	0.7	0.3	-0.1
Combined ratio *)	90.4	84.4	89.4

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

The underlying combined ratio was 83.8 in Q1 2020, which was slightly higher than expected. Accordingly, the underlying combined ratio was slightly higher than for the 2019 financial year and Q1 2019, which was primarily due to poor weather conditions during winter with extensive rainfall and wind, increased expenses for workers' compensation claims and the effects of the COVID-19 situation.

The investment result was a loss of DKK 106 million, against a loss of DKK 10 million in Q1 2019. The result was impacted by the financial market turmoil triggered by COVID-19.

Premiums

Gross premiums totalled DKK 1,361 million in Q1 2020, against DKK 1,313 million in the same period of last year. This 3.7% increase was in line with expectations.

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

Claims experience

The claims experience for Q1 2020 was 72.8%, against 66.4% in Q1 2019. Excluding run-off gains, the claims experience was 74.7% in Q1 2020, against 69.3% in Q1 2019, which was in line with expectations.

Weather-related claims

The winter months were characterised by periods of extensive rainfall, strong wind in February and a minor windstorm on 12 March 2020. Net of reinsurance, weather-related claims expenses totalled DKK 54 million in Q1 2020, against DKK 29 million in the same period of 2019. Weather-related claims affected the combined ratio by 4.0 percentage points in Q1 2020, which is within the normal full-year range of 3-4%.

Major claims

Net of reinsurance, claims expenses for major claims amounted to DKK 51 million in Q1 2020, which was significantly better than expected for the quarter, but higher than the expense of DKK 31 million reported for the same period of 2019. Major claims affected the combined ratio by 3.8 percentage points in Q1 2020, which should be seen in light of an expected normal level of 7-8%. Both the number of major claims and the level of expenses for major claims were below the expected level.

Underlying business

The underlying claims ratio was 66.2, which was higher than anticipated. The reason for the higher level was an increase in travel insurance claims due to the COVID-19 situation and a number of minor claims in connection with poor weather conditions during winter. The underlying claims ratio was 64.4 in the same period of 2019.

Run-off result

Net of reinsurance, the run-off result on claims was a gain of DKK 26 million in Q1 2020, compared with DKK 38 million in Q1 2019. The 2020 run-off result was mainly attributable to gains on building, personal accident and motor insurance.

Risk margin

In Q1 2020, the change in the overall risk margin affected performance by a net expense of DKK 10 million, equivalent to a negative effect of 0.7 of a percentage point on the combined ratio. The amount is composed of a DKK 14 million income attributable to the run-off result and a DKK 24 million expense related to the building-up of risk margin on claims reported in Q1 2020. By comparison, the change in Q1 2019 was a net expense of DKK 5 million, equivalent to a negative effect of 0.3 of a percentage point on the combined ratio.

Costs

Total costs amounted to DKK 239 million in Q1 2020, which was in line with expectations, being favourably affected by the implemented cost savings at Alm. Brand that were announced in connection with the release of the annual report for 2019.

Net reinsurance ratio

The net reinsurance ratio was 4.5 in Q1 2020, against 4.7 in the same period of 2019.

Discounting

In the period from Q1 2019 to Q1 2020, the yield curve, which is used for discounting purposes, showed an increase of 0.25-0.30 of a percentage point at the short end of the curve and a slight decline at the long end. Technical provisions were affected the most by the short-term yield due to the composition of expected premium payments and claims payouts. Overall, interest rate developments in Q1 2020 resulted in an unchanged combined ratio relative to the same period of 2019.

PRIVATE

The technical result was a profit of DKK 84 million in Q1 2020, against DKK 80 million in Q1 2019. The technical result was significantly better than expected and was favourably affected by lower expenses for major claims as well as by run-off gains, but adversely affected by weather-related claims and higher claims expenses for small claims. In the Q1 period of 2020, there was an increase of about DKK 10 million in expenses for travel insurance claims due to the COVID-19 situation. The combined ratio was 87.8, which was highly satisfactory compared with expectations.

Gross premiums amounted to DKK 690 million in Q1 2020, up 4.4% year on year, which was in line with expectations.

Alm. Brand continues to face a strongly competitive market and therefore maintains its focus on customer retention. As a result, Alm. Brand on a regular basis distributes personalised messages which are deemed to be relevant for the customers. As part of these efforts and as part of the group's strategic activities, Alm. Brand is working hard to adapt the group's products so that they support individual advice based on the specific needs of each individual customer.

The customer retention rate for Private remains at a high level. The claims experience excluding run-off gains on claims was 73.3% in Q1 2020, against 72.8% in Q1 2019.

Weather-related claims totalled DKK 16 million net of reinsurance, which was slightly higher than expected and affected the combined ratio by 2.4 percentage points. Expenses for weather-related claims were adversely affected by the rainy winter and by the windstorm in mid-March, driving them higher than in the year-earlier period.

In Q1 2020, expenses for major claims amounted to DKK 18 million net of reinsurance, affecting the combined ratio by 2.6 percentage points, which was less than expected. Expenses for major claims were DKK 15 million in Q1 2019.

The underlying expense ratio was 68.0 in Q1 2020, against 69.1 in the year-earlier period. The claims ratio was adversely affected by a higher number of and more expensive claims in travel insurance lines in the wake of the introduction of travel restrictions, while being favourably affected by a decline in the frequency of burglaries since mid-March.

Run-off gains on claims net of reinsurance amounted to DKK 29 million in Q1 2020, against DKK 31 million in Q1 2019. The 2020 run-off result was mainly attributable to gains on motor insurance and personal insurance lines.

Private

DKKm	Q1 2020	Q1 2019	FY 2019
Gross premium income	690	660	2,695
Gross claims expenses	-459	-432	-1,774
Insurance operating expenses	-129	-130	-516
Profit/loss on reinsurance	-18	-18	-59
Technical result	84	80	346
Run-off result, claims	29	31	91
Run-off result, risk margin	8	9	26
Gross claims ratio *)	66.6	65.5	65.8
Net reinsurance ratio	2.5	2.6	2.2
Claims experience *)	69.1	68.1	68.0
Gross expense ratio *)	18.7	19.7	19.2
Combined ratio *)	87.8	87.8	87.2
Combined ratio, underlying business *)	86.7	88.8	87.0
Weather-related claims, net of reinsurance	2.4	1.3	1.6
Major claims, net of reinsurance	2.6	2.3	2.1
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-4.3	-4.7	-3.4
Change in risk margin, run-off result and current year	0.4	0.1	-0.1
Combined ratio *)	87.8	87.8	87.2

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

The change in the overall risk margin lifted the Q1 performance by a net expense of DKK 3 million, equivalent to a negative effect on the combined ratio of 0.4 of a percentage point, against 0.1 of a percentage point in the year-earlier period.

The expense ratio was 18.7 in Q1 2020, which was in line with expectations and 1% percentage point better than in Q1 2019.

The net reinsurance ratio was 2.5 in Q1 2020, which was on a par with Q1 2019.

COMMERCIAL

The technical result was a profit of DKK 47 million in Q1 2020, against a profit of DKK 125 million in the same period of 2019. The combined ratio was 93.1 in 2020, which was in line with expectations.

The result was favourably affected by lower-than-expected expenses for major claims, while higher-than-expected expenses for weather-related claims and minor claims as well as a negative run-off result related to workers' compensation claims detracted from performance. By comparison, the Q1 2019 result was exceptionally good, being lifted by a very low level of expenses for both major claims and weather-related claims.

Gross premium income amounted to DKK 671 million in Q1 2020, marking a year-on-year improvement of DKK 18 million or 2.9%.

The customer retention rate for Commercial lines remains high and on a par with the customer retention rate for Q1 2019. The claims experience excluding run-off gains on claims was 76.1% in Q1 2020, against 65.8% in Q1 2019.

Weather-related claims totalled DKK 38 million net of re-insurance in Q1 2020, against DKK 20 million in 2019, which affected the combined ratio by 5.6 percentage points, against 3.0 percentage points in Q1 2019. Weather-related claims expenses in the commercial customer segment were slightly above the expected level due to windstorm claims on commercial and agricultural buildings in particular.

Expenses for major claims was DKK 33 million net of re-insurance in Q1 2020, affecting the combined ratio by 5.0 percentage points, which was significantly lower than expected. In Q1 2019, expenses for major claims were DKK 16 million net of reinsurance and affected the combined ratio by 2.5 percentage points.

The underlying expense ratio was 64.4 in Q1 2020, against 59.8 in the year-earlier period. The ratio was higher than expected due to adverse weather conditions in February resulting in a large number of small claims not classified as weather-related claims. Moreover, in workers compensation lines a higher level is still being recorded in the decisions of Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*), necessitating price adjustment for certain customers to ensure realignment of the relationship between price and risk. For building insurances in the residential segment, Alm. Brand has, over an extended period, systematically implemented measures to restore profitability in this customer segment. As part of this work, tighter terms were notified at the beginning of the year in the form of increased premiums and deductibles for all agent-served framework agreements. Alm. Brand will continue its ongoing assessment of the market for insurance of multi-storey buildings, and the profitability-enhancing measures are expected to continue until the portfolio has reached an acceptable profitability level. Moreover, premi-

Commercial

DKKm	Q1 2020	Q1 2019	FY 2019
Gross premium income	671	653	2,670
Gross claims expenses	-470	-377	-1,842
Insurance operating expenses	-110	-106	-417
Profit/loss on reinsurance	-44	-45	-187
Technical result	47	125	224
Run-off result, claims	-4	7	-14
Run-off result, risk margin	5	7	39
Gross claims ratio *)	70.0	57.7	69.0
Net reinsurance ratio	6.7	7.0	7.0
Claims experience *)	76.7	64.7	76.0
Gross expense ratio *)	16.4	16.2	15.6
Combined ratio *)	93.1	80.9	91.6
Combined ratio, underlying business *)	80.8	76.0	78.3
Weather-related claims, net of reinsurance	5.6	3.0	3.6
Major claims, net of reinsurance	5.0	2.5	9.4
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	0.6	-1.2	0.5
Change in risk margin, run-off result and current year	1.1	0.6	-0.2
Combined ratio *)	93.1	80.9	91.6

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

um increases were implemented for selected segments in motor insurance lines at the beginning of January, also with a view to ensuring the right price/risk relationship.

The run-off result net of reinsurance was a loss of DKK 4 million in Q1 2020, against a gain of DKK 7 million in the year-earlier period.

The change in the overall risk margin affected the Q1 performance by a net expense of DKK 7 million, equivalent to a negative effect on the combined ratio of 1.1 percentage points.

The Q1 2020 expense ratio was 16.4, in line with expectations. By comparison, the expense ratio was 16.2 in the year-earlier period.

The net reinsurance ratio was 6.7 in Q1 2020, against 7.0 in 2019.

INVESTMENT RESULT

The investment result was a loss of DKK 106 million in Q1 2020, against a loss of DKK 10 million in the same period of 2019. The result should be seen in light of the turbulent financial markets in the first quarter due to the COVID-19 situation.

The Q1 2020 investment return was adversely affected by equity market developments and widening credit spreads for Danish mortgage bonds, European credit bonds and emerging market bonds.

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

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve plus a volatility adjustment (the “VA premium”). 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 of provisions in the first quarter produced a small negative return due to widening spreads for European credit bonds.

CAPITALISATION

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 975 million at 31 March 2020, against DKK 984 million at 31 December 2019.

The total capital for coverage of the solvency capital requirement was DKK 3,143 million at 31 March 2020, an excess cover of DKK 2,168 million relative to the solvency capital requirement. This includes a proposed dividend payment of DKK 400 million in respect of the 2019 financial year.

At 31 March 2020, shareholders’ equity allocated to Non-life Insurance was DKK 2,445 million.

Investment return

DKKm	Q1 2020			Q1 2019		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	9,118	-103	-1.1%	9,140	89	1.0%
Mortgage deeds etc.	759	1	0.1%	908	1	0.1%
Equities	295	-33	-20.9%	223	24	12.1%
Properties	55	5	10.3%	13	0	1.6%
Total return on investments	10,227	-130	-1.3%	10,284	114	1.1%
Administrative expenses related to investment activities		-8			-6	
Return on and value adjustment of technical provisions		32			-118	
Net investment return		-106			-10	

MAJOR EVENTS

COVID-19

The consequences of COVID-19 impacted financial results and business-related initiatives in Non-life Insurance in a number of areas over the last weeks of the quarter.

In addition to the direct effect on the investment result and to some extent also the technical result in the first quarter of 2020, Non-life Insurance took a number of steps in continuation of the recommendations and restrictions issued by the Danish authorities to contain the spread of COVID-19.

A large number of travel insurance customers have received immediate assistance, partly for evacuation and partly in the form of compensation due to required travel cancellations.

Based on the current situation of the business sector, a number of commercial customers have received offers to change their premium payments in order to improve their liquidity, and the contemplated price adjustments in workers' compensation lines have been put on hold for the time being. In addition, the terms for vehicles standing idle have been eased.

The long-term consequences of the current situation remain subject to great uncertainty. In the period after the authorities' first recommendation to lock down and restrict activity in society, we have seen different opposing

trends in claims payments. The number of cancellation claims in travel insurance lines surged in the latter half of March, but has now dropped to a lower level in line with other types of travel insurance claims. The frequency of reported motor claims has also decreased, but at the same time there is an on-setting trend towards higher average compensation for motor liability claims in particular. The frequency of burglary claims and personal accident claims has also decreased since mid-March. Overall, the impact on the technical result has so far been relatively moderate.

BUSINESS-RELATED EVENTS

New personal accident product

On 25 January 2020, Alm. Brand launched a new personal accident product offering new covers as well as expansion of existing covers.

In connection with the development of the product, a number of customers were asked which covers they would like the personal accident insurance to include. A result, Alm. Brand has now begun to offer critical illness cover for children as well. The critical illness cover for adults was also adjusted to the effect that the cover is now, as a unique feature, offered right up until the customer reaches the age of 67.

Personal accident insurance is one of the key product offerings in Non-life Insurance with annual premiums of more than DKK 500 million.

Life Insurance

	DKKm	Q1 2020	Q1 2019	FY 2019
INCOME STATEMENT	Premiums	424	592	1,850
	Investment return after allocation of interest	-361	573	1,131
	Benefits paid	-395	-280	-1,034
	Total insurance operating expenses	-30	-26	-101
	Result of ceded business	-1	-1	-4
	Change in life insurance provisions	403	-791	-1,813
	Change in profit margin	-4	-40	70
	Technical result	36	27	99
	Return on investment allocated to equity	-4	2	-3
	Profit before tax excluding extraordinary costs	32	29	96
	Extraordinary costs	-	-	-5
	Profit/loss before tax	32	29	91
	Tax	-7	-6	-9
Profit/loss after tax	25	23	82	
Return requirement for shareholders' equity				
Return on investment allocated to equity	-4	2	-3	
Result of portfolios without bonus entitlement	0	4	5	
Gruppeliv	3	3	12	
Interest result	12	7	29	
Expense result	1	4	9	
Risk result	20	9	44	
Profit before tax excluding extraordinary costs	32	29	96	
Extraordinary costs	-	-	-5	
Profit/loss before tax	32	29	91	

	DKKm	Q1 2020	Q1 2019	FY 2019
BALANCE SHEET	Total provisions for insurance contracts	15,831	15,331	16,218
	Total shareholders' equity	651	657	626
	Total assets	17,335	16,596	18,239
FINANCIAL RATIOS	Return on equity before tax (%) *)	20.0	18.1	15.6
	Return on equity after tax (%) *)	15.6	14.1	13.9
	Bonus rate (%)	12.9	16.2	16.1

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

Life Insurance

Highly satisfactory performance and growth in regular payments of close to 6%

Q1 PERFORMANCE

Life Insurance reported pre-tax profit of DKK 32 million in Q1 2020, against DKK 29 million in Q1 2019. The performance was highly satisfactory, being supported by a strong development in the risk result and an increased interest rate result. Growth in regular premiums was positive in light of the fact that the rate on policyholders' savings has been lowered, which underlines – not least in times like these – that the average rate product is an attractive option for customers preferring security in their pension savings.

In Q1 2020, the expense and risk result was DKK 21 million, against DKK 13 million in the same period of 2019, which was highly satisfactory, driven by strong risk results for death and disability covers.

The bonus rate was down to 12.9% at 31 March 2020, a year-to-date decline of 3.3 percentage points. The bonus rate was adversely affected by financial market declines triggered by the COVID-19 situation. Relative to its peers, Alm. Brand Pension is still assessed to have a high bonus rate, enabling it to continue to offer its customers high and competitive rates on policyholders' savings.

The company's total assets under management dropped from DKK 16.2 billion to stand at DKK 15.8 billion at

31 March 2020 as a direct consequence of financial markets developments.

Pension contributions

In Q1 2020, premiums paid amounted to DKK 424 million in total, down by 28.3% from DKK 592 million in Q1 2019.

This figure covers an increase in regular premiums of 5.8% and a decline in single payments of 50.5%. Growth was satisfactory in light of the impact from COVID-19 seen towards the end of the quarter and the effect of the lower rate on policyholders' savings relative to last year, which is expected to have caused an increase in customer cessation in Q1 2020. A part of the cessation was due to transfers to market rate products, which are sold through the bank, for a neutral effect on the group as a whole.

Benefits paid

Total benefits paid amounted to DKK 395 million in Q1 2020, compared with DKK 280 million in Q1 2019. Among other things, the increase was attributable to an increase in surrenders, primarily due to the effect of the lower rate on policyholders' savings for 2020 – which effect is expected to abate as the year wears on.

Risk result

Net of reinsurance, the risk result, which expresses the difference between risk premiums and actual claims expenses, was an income of DKK 20 million in Q1 2020, against DKK 9 million in Q1 2019, and was favourably affected by a decent risk profile on both death and disability covers. The result was extremely satisfactory and among the best performances in the industry.

Costs

Acquisition costs and administrative expenses totalled DKK 30 million in Q1 2020, against DKK 26 million for the same period of 2019. Total costs were in line with expectations. The implemented cost savings had a positive effect, while acquisition costs increased in line with expectations.

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 1 million in Q2 2020, against DKK 4 million in Q1 2019. The result was satisfactory considering that Alm. Brand Pension has some of the industry's lowest costs for average rate products (see APR listed on the industry comparison portal, "*Fakta om pension*" ("Facts about pension"))).

Investment return on policyholders' funds

The investment return for Q1 2020 was impacted by financial market turmoil due to the COVID-19 situation. A large part of the world is under lockdown, countries closing down much of their activity to contain the spread of COVID-19. This triggered a plunge in equity markets and a widening of the credit spreads for Danish mortgage bonds, global credit bonds and emerging market bonds.

The investment return on policyholders' funds was a loss of DKK 419 million in Q1 2020, distributed on a gain of DKK 13 million on the interest-bearing part of the portfolio and a loss of DKK 448 million on equities. The property portfolio generated a return of DKK 17 million in Q1 2020.

Investment return

DKKm	Investment assets	Return Q1 2020	Return Q1 2019
Bonds	13,240	0.3%	3.6%
Equities	1,491	-23.7%	12.5%
Properties	1,752	1%	1.4%
Total	16,483	-2.3%	4.7%

Life insurance provisions

Total life insurance provisions declined by DKK 403 million in Q1 2020 to a total of DKK 15.5 billion due to developments in the financial markets with falling equity and bond prices.

Bonus rate

The total bonus rate was 12.9% at 31 March 2020, a year-to-date decline of 3.3 percentage points. The bonus rate was adversely affected by financial market developments triggered by the COVID-19 situation, and against this backdrop the bonus rate is still satisfactory.

New policyholders are placed in interest rate group A, which had a bonus rate of 13.2% at 31 March 2020. Interest rate groups 2 and 3 continue to pursue a prudent investment strategy based on a substantial share of the assets being invested in bonds and financial instruments with a view to striking a healthy balance between the groups' investments and liabilities.

The table below shows the current rates on policyholders' savings, bonus rates, returns and a breakdown of policy-

holders' investment assets on the five interest rate groups into which the portfolio of policies with bonus entitlement is divided.

CAPITALISATION

The solvency capital requirement of Alm. Brand Liv og Pension A/S amounted to DKK 137 million at 31 March 2020, against DKK 146 million at 31 December 2019.

The total capital for coverage of the solvency capital requirement was DKK 1,071 million at 31 March 2020, an excess cover of DKK 934 million relative to the solvency capital requirement. The company's solvency capital requirement is very low as a result of the large bonus potentials at 31 March 2020.

Equity allocated to Life Insurance was DKK 651 million at 31 March 2020.

	U74*	Interest rate group A	Interest rate group 0	Interest rate group 1	Interest rate group 2	Interest rate group 3	Total
Technical rate of interest (% p.a.)		-0.48-0.52	0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Investment assets (DKKbn)		11.5	1.6	0.9	1.0	1.8	16.8
Rate on policyholders' savings 2020 (% p.a.)		2.50	2.50	5.50	5.50	6.00	
Bonus rate (%)		13.2	10.7	16.3	10.7	13.5	12.9
Return (% YTD annualised)	-5.1	-16.8	-11.9	-7.0	-8.5	-7.6	-9.1
Distribution of investment assets (%):							
Bonds	100	78	85	79	90	90	81
Equities	0	10	7	10	4	4	9
Properties	0	12	8	11	6	6	10

*Portfolios without bonus entitlement

MAJOR EVENTS

Adjustment to low interest rate setting

In Q1 2020, Alm. Brand Pension adjusted its costs with a view to making it more attractive for customers to place their funds in the average rate product given the current low interest rate setting. Specifically, this means that the direct costs associated with pension payments have been reduced.

COVID-19

COVID-19 has had an impact on several areas of the pensions business, with many customers becoming more reluctant to set up new agreements, and payments into existing schemes to a certain extent being put on hold. Moreover, the substantial financial market volatility with considerable price falls on shares and bonds has led to an increased focus on investment optimisation and risk management. In that context, customers will be pleased to note that they still receive a rate on policyholders' savings of between 2.5% and 6% on their pension schemes.

Banking

	DKKm	Q1 2020	Q1 2019	FY 2019
INCOME STATEMENT	Net interest income	56	58	224
	Net fee income	40	30	141
	Net interest and fee income	96	88	365
	Trading income	37	48	202
	Leasing	22	21	75
	Other income	9	5	64
	Total income	164	162	706
	Costs	-148	-151	-622
	Core earnings	16	11	84
	Investment portfolio earnings	-14	-7	-60
	Profit/loss before depreciation, amortisation and impairment losses	2	4	24
	Amortisation, customer relationships	-8	-8	-32
	Impairment writedowns	-2	20	75
Profit before tax excluding extraordinary costs	-8	16	67	
Extraordinary costs	-	-	-51	
Profit/loss before tax	-8	16	16	
Tax	2	-3	-4	
Profit/loss after tax	-6	13	12	

	DKKm	Q1 2020	Q1 2019	FY 2019
BALANCE SHEET	Loans and advances	5,028	5,059	4,960
	Deposits	10,314	10,814	10,824
	Shareholders' equity	1,889	1,996	1,896
	Total assets	13,395	13,728	13,470
FINANCIAL RATIOS	Interest margin (%)	2.0	2.3	2.2
	Income/cost ratio	0.96	1.09	1.02
	Impairment ratio for the period	0.0	-0.3	-0.8
	Total capital ratio	22.0	19.1	20.0
	Return on equity before tax (%) *)	-1.8	3.2	3.4
	Return on equity after tax (%) *)	-1.3	2.5	2.7

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

Banking

Higher core earnings, but increased impairment writedowns and lower trading income due to COVID-19

Q1 PERFORMANCE

As a result of the COVID-19 situation, the bank experienced a direct negative effect on its overall financial results for the quarter triggered by substantial price falls in the financial markets and deteriorated macroeconomic conditions. Against this background, the bank experienced a drop in trading income and investment portfolio earnings as well as increased impairment writedowns on loans. The total effect in Q1 2020 is assessed to be about DKK 45 million.

The bank's core earnings amounted to DKK 16 million in Q1 2020, against DKK 11 million in Q1 2019, reflecting an increase in net interest and fee income and lower costs. Core earnings improved in spite of lower trading income due to price falls in the financial markets and was satisfactory, although slightly short of expectations.

The bank reported a pre-tax loss of DKK 8 million in Q1 2020, which amount included a DKK 14 million loss on the investment portfolio and net impairment writedowns on loans of DKK 2 million.

Income

The bank's income amounted to DKK 164 million in Q1 2020, against DKK 162 million in Q1 2019.

Net interest and fee income amounted to DKK 96 million in Q1 2020, marking a year-on-year increase of DKK 8 million. The increase was mainly attributable to the introduction of negative interest rates on deposits and fee changes for private customers, while lower lending rates relative to

Q1 2019 detracted from performance. As compared with Q1 2019, net interest income declined by DKK 2 million to DKK 56 million, while net fee income grew by DKK 10 million to DKK 40 million.

Trading income was adversely affected by about DKK 20 million relative to Q1 2019 as a result of financial market turmoil and dropping in bond prices. This development was mainly attributable to a widening of the credit spread on mortgage bonds. Accordingly, trading income totalled DKK 37 million in Q1 2020, against DKK 48 million in the same period of last year. The level of customer activity and resulting earnings was generally high.

Leasing reported net income of DKK 22 million in Q1 2020, which was on a par with Q1 2019. Following the partial lockdown of society, lease activities experienced a slowdown in demand for new car leases, which is expected to continue for as long as society remains partially locked down due to the COVID-19 situation.

Costs

Costs amounted to DKK 148 million in Q1 2020, compared with DKK 151 million in Q1 2019. The year-on-year decline reflects a cost reduction for a part of the period as a result of the implemented cost savings announced in connection with the release of the 2019 financial statements, but costs remain at a high level, among other things due to digitalisation and development costs related to the bank's data centre, Bankdata, with growing statutory requirements also having a negative influence.

Investment portfolio earnings

Investment portfolio earnings amounted to a loss of DKK 14 million in Q1 2020, against a loss of DKK 7 million in Q1 2019. COVID-19 led to a significant widening of mortgage credit spreads and triggered in negative results from short-term mortgage bonds.

Impairment writedowns

The bank has made a management estimate of DKK 30 million related to the COVID-19 situation and has therefore strengthened its total provisions for expected losses on loans. In addition, the bank made a DKK 28 million reversal of impairment writedowns in Q1 2020, making for net impairment writedowns on loans of DKK 2 million for the quarter. The reversal of impairment writedowns was driven by improved economic conditions among both private and agricultural customers.

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

Impairment writedowns^{b)}

DKKm	Q1 2020	Q1 2019
Loans and advances		
Private	-5	9
Commercial	-3	13
Agriculture	12	5
Loan impairment charges	4	27
Mortgage deed option agreement ^{a)}	-6	-7
Total impairment writedowns	-2	20

^{a)} The impairment writedowns include credit-related value adjustments of mortgage deeds ^{b)} Minus equals an expense

Business volume

The bank's business volume, covering bank loans, mortgage lending and lease activities, grew slightly in Q1 2020 to DKK 22.9 billion at 31 March 2020, from DKK 22.8 billion at 31 December 2019. The bank's loans and advances amounted to DKK 5.0 billion at 31 March 2020, which was unchanged from 31 December 2019, reflecting a sustained high level of repayment of bank loans due in part to favourable mortgage credit financing conditions and in part to a certain measure of caution among the bank's customers. The volume of Totalkredit loans was DKK 16.9 billion, which was on a par with 31 December 2019.

Credit exposure after writedowns

DKKm	Share of portfolio in %	31 March 2020	31 December 2019
Loans and advances			
Private	64	3,664	3,694
Commercial	17	958	935
Agriculture	1	78	85
Total loans and advances	82	4,700	4,714
Mortgage deed option agreement	12	703	803
Reverse transactions and intra-group exposures	6	328	246
Total credit exposure	100	5,731	5,763

Retail

The bank reported satisfactory progress with implementing the expected interest and fee changes resulting from the implemented measures announced in the 2019 financial statements.

Private

During the quarter, a certain restraint was seen in relation to private customers taking up new loans, while the propensity to save up remained high. The current situation as regards household and macroeconomic conditions is assessed to support this development in the upcoming period.

Commercial

In Q1 2020, the commercial customer segment experienced a sustained inflow of small businesses, including a number of customers transferring to the bank in continuation of their existing customer relationship with the group's other businesses areas. Lending to commercial customers increased by about DKK 50 million to DKK 958 million in Q1 2020, which was in line with expectations.

Leasing

The Leasing portfolio totalled DKK 950 million at 31 March 2020, distributed on approximately 8,000 cars. Like the lending market, the leasing market is characterised by being extremely competitive. Towards the end of the quarter, the market experienced an abrupt slowdown due to the COVID-19 situation because many customers postponed their decision on whether or not to lease new cars until they have a more clear idea of the economic consequences.

Agriculture

For some time, pig breeders have experienced rising settlement prices, and this trend continued through most of the first quarter, strengthening a part of the agricultural sector that has been under pressure for a number of years.

The bank has previously recognised substantial impairment of loans granted to agricultural customers, and at 31 March 2020 net lending consequently only amounted to DKK 78 million relative to gross lending of DKK 418 million.

Wealth Management

As a result of the general price falls in the financial markets, the bank's asset management and securities trading division, Wealth Management, has experienced a reduction in total assets under management. Regardless of the headwinds from the financial markets, the influx of fresh assets under management was substantial. Trading activity among the bank's customers was also brisk, and earnings from the Alm. Brand Trader platform recorded periods of record-high activity.

Deposits

The bank had deposits of DKK 10.3 billion at 31 March 2020, against DKK 10.8 billion at 31 December 2019. Total deposits declined, among other things as a result of the introduction of negative interest rates for private customers, and some of this amount was placed in the bank's investment products instead. Combined with only minor changes in total bank lending, the changes in deposits mean that the bank still has a considerable deposit surplus of about DKK 5.3 billion.

Liquidity

The bank has a strong liquidity position, reporting a liquidity coverage ratio (LCR) of 421% at 31 March 2020.

Capitalisation

At 31 March 2020, the banking group's MREL capital amounted to DKK 2.1 billion, against an MREL capital requirement of DKK 1.4 billion. Accordingly, the banking group had an excess of DKK 0.7 billion relative to the requirement. The total risk exposure of the banking group was DKK 8.9 billion. More elaborate information about the bank's solvency need is available on the website <https://almbrand.dk/Risiko>


Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 1,712 million at 31 March 2020, against DKK 1,736 million at 31 December 2019. The capital reservation equalled 25% of the credit exposure.

SUPERVISORY DIAMOND

At 31 March 2020, the bank was in compliance with all five threshold values of the Danish Financial Supervisory Authority's supervisory diamond as shown in the figure below:

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



Category	31 March 2020	2019
Large exposures Threshold value < 175%	44 %	52 %
Growth in lending Threshold value < 20%	1 %	-1 %
Funding ratio Threshold value < 1	0.45	0.43
Property exposure Threshold value < 25%	8 %	7 %
Excess liquidity coverage Threshold value > 100%	469 %	434 %

OTHER EVENTS

Interest rate changes

In March 2020, the bank notified its private customers of interest rate changes, introducing negative interest on amounts exceeding DKK 250,000, against the previous threshold amount of DKK 750,000. The limit only applies to customers who have their NemKonto at Alm. Brand Bank. For other account types, the future limit will be DKK 25,000 per deposit account.

Capital reservation for credit risk

DKKm	31 March 2020						31 December 2019	
	Total assets	Credit exposure ^{a)}	Accumulated impairment writedowns ^{b)}	Required capital	Total reservation	Reservation/credit exposure	Total reservation	Reservation/credit exposure
Private	3,664	4,002	338	288	626	16%	622	15%
Commercial	958	2,128	467	244	711	33%	715	32%
Agriculture	78	418	340	21	361	86%	386	86%
Total, excl. reverse transactions	4,700	6,548	1,145	553	1,698	26%	1,723	26%
Reverse transactions and intra-group exposures	328	329	1	13	14	4%	13	5%
Total, group	5,028	6,877	1,146	566	1,712	25%	1,736	25%

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

^{b)} Including value adjustments of mortgage deeds

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 31 March 2020.

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

In our opinion, the interim report gives a true and fair view of the group’s and the parent company’s assets, liabilities and financial position at 31 March 2020 and of the group’s cash flows for the period 1 January to 31 March 2020.

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

Management Board

Copenhagen, 14 May 2020

Rasmus Werner Nielsen
Chief Executive Officer

Board of Directors

Copenhagen, 14 May 2020

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested

Helle Låsby Frederiksen

Claus Nexø Jensen

Susanne Larsen

Income statement

DKKm	Note	Group		
		Q1 2020	Q1 2019	FY 2019
Income				
Premium income		1,785	1,905	7,215
Interest income etc.		172	171	705
Fee income etc.		71	49	227
Other income from investment activities		2	-2	4
Other income		75	76	294
Total income		2,105	2,199	8,445
Costs				
Claims incurred		-1,324	-1,089	-4,671
Interest expenses		-17	-15	-46
Other cost from investment activities		-21	-16	-111
Impairment of loans, advances and receivables, etc.	1	1	23	81
Acquisition and administrative costs		-461	-457	-1,907
Total costs		-1,822	-1,554	-6,654
Profit from business ceded		-63	-64	-250
Change in life insurance provisions		403	-791	-1,772
Change in profit margin, Life Insurance		-4	-40	70
Exchange rate adjustments		-654	579	916
Tax on pension investment returns		68	-104	-186
Profit/loss before tax		33	225	569
Tax		-8	-49	-117
Profit/loss after tax		25	176	452
Earnings per share, DKK		0.2	1.1	2.9
Diluted earnings per share, DKK		0.2	1.1	2.9

Statement of comprehensive income

DKKm	Group		
	Q1 2020	Q1 2019	FY 2019
Comprehensive income			
Profit for the period	25	176	452
<i>Items that may be recycled to profit or loss</i>	0	0	0
<i>Items that may not be recycled to profit or loss:</i>			
Revaluation of owner-occupied properties	0	0	-41
Transferred to collective bonus potential	0	0	41
Tax on other comprehensive income	0	0	0
Total other comprehensive income	0	0	0
Comprehensive income	25	176	452
Proposed allocation of profit/loss:			
Share attributable to Alm. Brand	25	176	452
Comprehensive income	25	176	452

Balance sheet

DKKm	Group		
	31 March 2020	31 March 2019	FY 2019
Assets			
Intangible assets	180	206	187
Owner-occupied properties	752	715	752
Deferred tax assets	25	0	0
Reinsurers' share of insurance contracts	201	194	170
Current tax assets	51	7	45
Other assets	2,132	2,292	1,777
Loans	5,684	5,771	5,514
Investment properties	753	723	750
Investment assets	30,978	30,502	31,567
Amounts due from credit institutions and central banks	1,262	915	792
Cash in hand and demand deposits	581	231	244
Total assets	42,599	41,556	41,798
Liabilities and equity			
Share capital	1,577	1,610	1,577
Reserves, retained profit etc.	2,529	2,829	2,539
Proposed dividend	460	470	460
Consolidated shareholders' equity	4,566	4,909	4,576
Subordinated debt	575	575	575
Provisions for insurance contracts	23,862	23,292	23,593
Other provisions	36	55	41
Deferred tax liabilities	0	38	55
Issued bonds	150	0	0
Other liabilities	1,955	1,704	1,628
Deposits	10,314	10,315	10,492
Payables to credit institutions and central banks	1,141	668	838
Total liabilities and equity	42,599	41,556	41,798
Note 2	Own shares		
Note 3	Contingent liabilities, guaranties and leasing		
Note 4	Fair value measurement of financial instruments		
Note 5	Accounting policies - Group		
Note 6	Financial highlights and key ratios		

Statement of changes in equity

DKKm	Share capital	Contingency funds	Other provisions etc.	Retained profit	Proposed dividend	Consolidated equity
Shareholders' equity, 1 January 2019	1,610	182	1,215	1,271	470	4,748
Change in accounting policies				0		0
Adjusted shareholders' equity at 1 January 2019	1,610	182	1,215	1,271	470	4,748
Changes in equity Q1 2019:						
Profit/loss for the period				176		176
Total income	0	0	0	176	0	176
Share option scheme, exercise				13		13
Purchase and sale of treasury shares				-28		-28
Changes in equity	0	0	0	161	0	161
Shareholders' equity, 31 March 2019	1,610	182	1,215	1,432	470	4,909
Shareholders' equity at 1 January 2019	1,610	182	1,215	1,271	470	4,748
Changes in equity 2019:						
Profit/loss for the year				452	0	452
Revaluation of owner-occupied properties				-41		-41
Transferred to collective bonus potential				41		41
Total income	0	0	0	452	0	452
Cancellation of treasury shares	-33			33		0
Proposed dividend				-460	460	0
Dividend distributed				3	-470	-467
Share option scheme, exercise				33		33
Purchase and sale of treasury shares				-190		-190
Changes in equity	-33	0	0	-129	-10	-172
Shareholders' equity, 31 December 2019	1,577	182	1,215	1,142	460	4,576
Shareholders' equity, 1 January 2020	1,577	182	1,215	1,142	460	4,576
Changes in equity Q1 2020:						
Profit/loss for the year				25		25
Total income	0	0	0	25	0	25
Share option scheme, exercise				5		5
Purchase and sale of treasury shares				-40		-40
Changes in equity	0	0	0	-10	0	-10
Shareholders' equity, 31 March 2020	1,577	182	1,215	1,132	460	4,566

Cash flow statement

DKK m				Group		
	Q1 2020	Q1 2019	FY 2019	Q1 2020	Q1 2019	FY 2019
Cash flows from operating activities						
Premiums received	2,361	2,350	7,080			
Claims paid	-1,378	-1,141	-4,404			
Dividends received	30	26	42			
Interest receivable, dividends, etc.	149	158	640			
Interest payable	-4	-3	-18			
Payments concerning reinsurance	-106	-99	-269			
Fee income received	76	55	234			
Fee income paid	-6	-6	-6			
Expences paid	-224	-256	-1,946			
Tax on pension investment returns paid	-126	-3	-82			
Other ordinary income received	75	77	294			
Taxes paid/received	-6	-6	-134			
Cash flows from operating activities	841	1,152	1,431			
Change in investment placement						
Acquisition of intangible assets, furniture, equipment, Properties acquired or converted	-8	31	23			
Sale/aquisition of equity investments	-864	206	320			
Sale/repayment of mortgage deeds and loans	-189	-21	291			
Sale/aquisition of bonds	792	-1,583	-2,055			
Change in investment placement	-268	-1,335	-1,456			
Change in financing						
Sale/purchase of treasury shares				-34	-15	-157
Dividend distributed				0	0	-470
Dividend received, treasury shares				0	0	3
Change in deposits				-178	17	194
Change in payables to credit institutions				451	236	408
Change in other liabilities				-5	-2	-10
Change in financing *)				234	236	-32
Net change in cash and cash equivalents						
				807	53	-57
Cash and cash equivalents, beginning of period				1,036	1,093	1,093
Cash and cash equivalents, end of period				1,843	1,146	1,036

*) The amount of DKK 234 million consists only of cash inflows og outflows.

Segment reporting

DKKm						Q1 2020	
	Non-life	Life	Banking	Other	Elimi- nation	Group	
Premium income	1,361	424	0	0		1,785	
Interest income etc.	36	79	58	1	-2	172	
Fee income etc.	0	0	82	0	-11	71	
Other investment income	0	17	0	0	-15	2	
Other income	0	0	75	0		75	
Total income	1,397	520	215	1	-28	2,105	
Claims incurred	-929	-395	0	0		-1,324	
Interest expenses	-11	-1	-5	-2	2	-17	
Other investment expenses	-8	-9	0	-15	11	-21	
Impairment of loans, advances and receivables, etc.	0	0	1	0		1	
Acquisition and administrative expenses	-239	-30	-207	0	15	-461	
Total expenses	-1,187	-435	-211	-17	28	-1,822	
Result of business ceded	-62	-1	0	0		-63	
Change in life insurance provisions	0	403	0	0	0	403	
Change in profit margin, Life Insurance	0	-4	0	0		-4	
Exchange rate adjustments	-123	-519	-12	0	0	-654	
Tax on pension investment returns	0	68	0	0		68	
Profit/loss before tax	25	32	-8	-16	0	33	
Tax	-7	-7	2	4		-8	
Profit/loss after tax	18	25	-6	-12	0	25	

Segment reporting

DKKm						Q1 2019
	Non-life	Life	Banking	Other	Elimi- nation	Group
Premium income	1,313	592	0	0		1,905
Interest income etc.	39	69	64	0	-1	171
Fee income etc.	0	0	60	0	-11	49
Other investment income	0	14	0	0	-16	-2
Other income	0	0	76	0		76
Total income	1,352	675	200	0	-28	2,199
Claims incurred	-809	-280	0	0		-1,089
Interest expenses	-5	-4	-4	-3	1	-15
Other investment expenses	-6	-8	-1	-12	11	-16
Impairment of loans, advances and receivables, etc.	0	0	23	0		23
Acquisition and administrative expenses	-236	-26	-211	0	16	-457
Total expenses	-1,056	-318	-193	-15	28	-1,554
Result of business ceded	-63	-1	0	0		-64
Change in life insurance provisions	0	-791	0	0		-791
Change in profit margin, Life Insurance	0	-40	0	0		-40
Exchange rate adjustments	-38	608	9	0		579
Tax on pension investment returns	0	-104	0	0		-104
Profit/loss before tax	195	29	16	-15	0	225
Tax	-44	-6	-3	4		-49
Profit/loss after tax	151	23	13	-11	0	176

Notes

DKKm	Group		
	Q1 2020	Q1 2019	FY 2019
Note 1 Impairment writedowns on loans, advances and other receivables as well as provisions for guarantees and undrawn credit facilities			
<i>Impairment writedowns on loans, advances and receivables at amortised cost</i>			
<i>Stage 1 no significant increase in credit risk</i>			
Impairment writedowns, beginning of year	14	3	3
New impairment writedowns, net	0	13	14
Previously impaired, now finally lost	0	0	0
Other movements	0	-3	-3
Impairment writedowns, end of year	14	13	14
<i>Stage 2 significant increase in credit risk</i>			
Impairment writedowns, beginning of year	58	75	75
New impairment writedowns, net	0	-3	-16
Previously impaired, now finally lost	0	0	0
Other movements	0	-1	-1
Impairment writedowns, end of year	58	71	58
<i>Stage 3 Credit-impaired</i>			
Impairment writedowns, beginning of year	742	806	806
New impairment writedowns, net	15	1	-1
Previously impaired, now finally lost	-16	-21	-66
Other movements	1	0	3
Impairment writedowns, end of year	742	786	742
<i>Loans which were kredit-impaired at initial recognition</i>			
Impairment writedowns, beginning of year	3	0	0
New impairment writedowns, net	0	0	3
Previously impaired, now finally lost	-1	0	0
Other movements	0	0	0
Impairment writedowns, end of year	2	0	3
<i>Provisions for losses on guarantees and undrawn credit facilities</i>			
<i>Stage 1 no significant increase in credit risk</i>			
Provisions, beginning of period	6	10	10
New provisions, net	0	-3	-7
Previously provided for, now finally lost	0	0	0
Other movements	0	3	3
Provisions, end of year	6	10	6

Notes

DKKm	Group		
	Q1 2020	Q1 2020	FY 2019
<i>Stage 2 significant increase in credit risk</i>			
Provisions, beginning of period	4	6	6
New provisions, net	0	1	-2
Previously provided for, now finally lost	0	0	0
Other movements	0	1	0
Provisions, end of year	4	8	4
<i>Stage 3 Credit-impaired</i>			
Provisions, beginning of period	9	6	6
New provisions, net	-3	0	3
Previously provided for, now finally lost	0	0	0
Other movements	0	0	0
Provisions, end of year	6	6	9
Total impairment writedowns and provisions, end of year	832	894	836
<i>Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement</i>			
Impairment writedowns on loans and advances for the year	-12	10	28
Provisions for losses on guarantees and undrawn credit facilities for the year	4	2	6
Impairment writedowns on receivables from credit institutions and other items subject to credit risk for the year	0	0	0
Reversal of prior-year impairment writedowns and provisions	0	0	0
Finally lost, where impairment writedowns/provisions have not been made	-3	-3	-11
Settlements made on debt previously written off	12	14	58
Recognised in the income statement	1	23	81

Notes

DKKm	Group		
	Q1 2020	Q1 2020	FY 2019
Note 2 Own shares			
Nominal value, beginning of year	34	43	43
Acquired during the year	8	5	39
Sold during the year	-3	-4	-15
Cancellation of treasury shares	0	0	-33
Nominal value, end of year	39	44	34
Holding number of shares ('000), beginning of period	3,349	4,310	4,310
Additions, number of shares	809	539	3,891
Disposals, number of shares	-269	-406	-1,512
Cancellation of treasury shares	0	0	-3,340
Holding number of shares ('000), end of year	3,889	4,443	3,349
Percentage of share capital, end of year	2.5%	2.8%	2.1%

Note 3 Contingent liabilities, guaranties and leasing

Guarantee commitments	4,620	2,719	4,993
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The Alm. Brand Group is contractually obliged to pay rent of DKK 47 million over the next five years. The obligation is recognised in Other liabilities as a lease obligation.

The companies of the group have undertaken to participate in investing in unlisted securities at an amount of DKK 938 million.

Notes

DKKm	31 March 2020				31 December 2019				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Note 4 Fair value measurement of financial instruments									
<u>Financial assets</u>									
Loans and advances	0	4,798	886	5,684	0	4,578	936	5,514	
Bonds	23,439	3,292	7	26,738	20,019	7,655	8	27,682	
Shares	1,931	146	341	2,418	1,721	143	334	2,198	
Investment properties	0	0	753	753	0	0	750	750	
Other assets	2	1,505	0	1,507	0	1,328	0	1,328	
Total financial assets	25,372	9,741	1,987	37,100	21,740	13,704	2,028	37,472	
<u>Financial liabilities</u>									
Subordinated debt	0	0	575	575	0	0	575	575	
Issued bonds	0	0	150	150	0	0	0	0	
Deposits	0	10,314	0	10,314	0	10,491	0	10,491	
Other payables	0	584	0	584	0	604	0	604	
Total financial liabilities	0	10,898	725	11,623	0	11,095	575	11,670	

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

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

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

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

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

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

Notes

DKKm	31 March 2020					
	Loans and advances	Bonds	Shares	Investment properties	Issued bonds (liability)	Subordinated debt (liability)
Development in level 3 financial instruments						
Carrying amount, beginning of period	936	8	334	750	0	575
Additions during the year	4	0	0	0	150	0
Disposals during the year	-46	-1	0	-2	0	0
Realised value adjustments	-2	0	1	0	0	0
Unrealised value adjustments	-6	0	6	5	0	0
Carrying amount, end of period	886	7	341	753	150	575
Value adjustments recognised in the income statement	-8	0	7	5	0	0
31 December 2019						
DKKm	Loans and advances	Bonds	Shares	Investment properties	Issued bonds (liability)	Subordinated debt (liability)
Development in level 3 financial instruments						
Carrying amount, beginning of year	1,096	7	92	724	0	575
Additions during the year	4	2	213	11	0	250
Disposals during the year	-151	-1	0	-6	0	-250
Realised value adjustments	-3	0	1	0	0	0
Unrealised value adjustments	-10	0	28	21	0	0
Carrying amount, year-end	936	8	334	750	0	575
Value adjustments recognised in the income statement	-13	0	29	21	0	0

NOTE 5 ACCOUNTING POLICIES

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

The interim report is unaudited.

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

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

Profit margin of Alm. Brand Liv og Pension

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

Change in accounting policies

IFRS 16 Leases was implemented with effect from 1 January 2020. The standard entails that leases are recognised in the balance sheet as an asset and a liability, respectively. In the Alm. Brand A/S Group, only a few external tenancy agreements will be comprised by the standard. On implementa-

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

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

Segment information

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

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

Banking

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

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

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

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

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

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

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

NOTE 6 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management’s review.

DISCLAIMER

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

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

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

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

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

Income and comprehensive income statement

DKKkm	Note	Parent company		
		Q1 2020	Q1 2019	FY 2019
Income statement				
Income from group enterprises	2	37	187	530
Value adjustments, bonds		0	0	0
Interest income and dividends etc.		1	0	3
Interest expenses		-2	-3	-8
Administrative expenses related to investment activities		-15	-12	-96
Profit/loss before tax		21	172	429
Tax		4	4	23
Profit/loss after tax		25	176	452
Comprehensive income				
Profit/loss for the period		25	176	452
Comprehensive income		25	176	452
Proposed allocation of loss:				
Proposed dividend		0	0	460
Retained earnings		25	176	-8
Comprehensive income		25	176	452
Accounting policies	3			

Balance sheet

DKKm	Note	Parent company		
		31 March 2020	31 March 2019	FY 2019
Assets				
Investment in group enterprises	1	4,985	5,205	4,948
Loans to group enterprises		150	0	0
Total investments in group enterprises and associates		5,135	5,205	4,948
Equity investments		1	1	1
Other loans and advances		2	2	2
Cash in hand and balances at call		1	1	1
Total other financial investment assets		4	4	4
Total investment assets		5,139	5,209	4,952
Other receivables		39	38	53
Total receivables		56	38	53
Current tax assets		26	21	22
Deferred tax assets		0	2	0
Other assets		668	201	175
Total other assets		694	224	197
Total prepayments		0	3	6
Total assets		5,889	5,474	5,208

Balance sheet

DKKm	Parent company		
	31 March 2020	31 March 2019	FY 2019
Liabilities and equity			
Share capital	1,577	1,610	1,577
Other provisions	1,215	1,215	1,215
Proposed dividend	0	470	460
Retained earnings	1,774	1,614	1,324
Total shareholders' equity	4,566	4,909	4,576
Subordinated debt	250	250	250
Subordinated debt	250	250	250
Deferred tax liabilities	36	40	37
Total provisions	36	40	37
Payables to group enterprises	211	71	149
Issued bonds	150	0	0
Other payables	676	204	196
Total payables	1,037	275	345
Total liabilities and equity	5,889	5,474	5,208

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
Shareholders' equity at 1 January 2019	1,610	1,215	1,453	470	4,748
Changes in equity Q1 2019:					
Profit/loss for the period			176	0	176
Comprehensive income			176	0	176
Share option scheme, exercise			13		13
Purchase and sale of treasury shares			-28		-28
Changes in equity	0	0	161	0	161
Shareholders' equity at 31 March 2019	1,610	1,215	1,614	470	4,909
Shareholders' equity at 1 January 2019	1,610	1,215	1,453	470	4,748
Changes in equity 2019:					
Profit/loss for the year			452	0	452
Comprehensive income			452	0	452
Cancellation of treasury shares	-33		33		0
Proposed dividend			-460	460	0
Dividende distributed			3	-470	-467
Share option scheme, exercise			33		33
Purchase and sale of treasury shares			-190		-190
Changes in equity	-33	0	-129	-10	-172
Shareholders' equity at 31 December 2019	1,577	1,215	1,324	460	4,576
Shareholders' equity at 1 January 2020	1,577	1,215	1,324	460	4,576
Changes in equity Q1 2020:					
Profit/loss for the period			25	0	25
Comprehensive income	0		25		25
Share option scheme, exercise			5		5
Purchase and sale of treasury shares			-40		-40
Changes in equity	0	0	-10	0	-10
Shareholders' equity at 31 March 2020	1,577	1,215	1,314	460	4,566

Notes

DKKm	31 March 2020	31 March 2019	FY 2019
Note 1 Investment in group enterprises			
Cost, beginning of period	8,941	8,941	8,941
Additions	0	0	0
Cost, end of period	8,941	8,941	8,941
Revaluation and impairment, beginning of period	-3,993	-3,924	-3,924
Change in accounting policies	0	0	0
Dividend received	0	0	-600
Profit/loss for the period	37	187	530
Revaluation and impairment of treasury shares in subsidiaries	0	1	1
Revaluation and impairment, end of period	-3,956	-3,736	-3,993
Investment in group enterprises, end of period	4,985	5,205	4,948
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,889	1,996	1,895
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	3,096	3,209	3,053
Investment in group enterprises, end of period	4,985	5,205	4,948
DKKm	Q1 2020	Q1 2019	FY 2019
Note Income from group enterprises			
Alm. Brand Bank A/S	-6	13	12
Alm. Brand Forsikring A/S	43	174	518
Total income from group enterprises	37	187	530
<i>The results are recognised in the following items:</i>			
Income from group enterprises	37	187	530
Total income from group enterprises	37	187	530

NOTE 3 ACCOUNTING POLICIES PARENT COMPANY

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

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

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

The interim report is unaudited.

Definitions of financial ratios and Alternative Performance Measures (APM)

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

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

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

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

Underlying combined ratio (Non-life Insurance):

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

Underlying claims ratio (Non-life Insurance):

The underlying combined ratio less the expense ratio.

Claims experience (Non-life Insurance):

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

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

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

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

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

Return requirement for shareholders' equity (Life Insurance):

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

Bank

The bank's financial highlights and key ratios are presented in accordance with the internal reporting. The accounting policies on page 39 contain a detailed description of the individual items of the financial highlights and key ratios.

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

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

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

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

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

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

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

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

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

FINANCIAL RATIOS, NON-LIFE INSURANCE

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

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

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

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

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

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

FINANCIAL RATIOS, LIFE INSURANCE

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

FINANCIAL RATIOS, BANKING

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

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

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

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

Company information

Board of Directors

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested
Employee representative

Helle Låsby Frederiksen
Employee representative

Claus Nexø Jensen
Employee representative

Susanne Larsen
Employee representative

Management Board

Rasmus Werner Nielsen
Chief Executive Officer

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab

Internal auditor

Morten Bendtsen
Group Chief Auditor

Registration

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

Address

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

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