

ALM. BRAND

Interim report
the first quarter

2022

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

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Company information

Alm. Brand Group

	DKKm	Q1 2022	Q1 2021	FY 2021
GROUP	Non-life Insurance	-10	129	904
	Other activities	-55	-22	-65
	Profit/loss before tax, continuing activities excluding special costs	-65	107	839
	Special costs	-143	-	-141
	Profit/loss before tax, continuing activities	-208	107	698
	Tax, continuing activities	44	-27	-192
	Profit/loss after tax, continuing activities	-164	80	506
	Profit/loss after tax, discontinued activities	544	24	92
	Profit/loss after tax	380	104	598
	Total provisions for insurance contracts	8,721	25,125	7,828
	Consolidated shareholders' equity	14,078	4,038	13,706
	Total assets	26,037	31,603	42,235
	Average no. of employees	1,428	1,364	1,410
	Return on equity before tax, continuing activities (% p.a.) *)	-1.9	10.4	19.1
	Return on equity before tax (% p.a.) **)	13.9	13.4	21.8
	Return on equity after tax (% p.a.) **)	14.2	10.2	16.9

	DKKm	Q1 2022	Q1 2021	FY 2021
FINANCIAL RATIOS	Earnings per share	0.2	0.7	2.4
	Diluted earnings per share	0.2	0.7	2.4
	Net asset value per share	9	26	9
	Share price, end of period	11.6	74.4	12.7
	Price/NAV	1.26	2.84	1.43
	Average no. of shares (in thousands)	1,540,731	153,874	252,916
	No. of shares at year-end, diluted (in thousands)	1,540,476	153,862	1,541,091
	Average no. of shares, diluted (in thousands)	1,540,731	153,874	252,916
	Dividend per share ***)	0.00	1.96	2.26

*) The calculation of return on equity is based on the profit before tax on continuing activities and consequently does not include the profit on discontinued activities. In addition, adjustments for special costs have been made.

***) The return on equity is calculated for the group's consolidated profit adjusted for special costs.

***) Dividend in respect of Q1 2021 has been translated into the new number of shares in the Alm. Brand Group.

Strong growth and strong underlying insurance operations

Q1 PERFORMANCE

Alm. Brand's performance in Q1 2022 was characterised by strong growth in premiums of 5.5% and a sustained improvement of the underlying combined ratio excluding COVID-19 effects of 3.9 percentage points, reflecting a more satisfactory minor claims experience as a result of initiatives to secure profitable business operations. External factors – the most severe windstorm in Denmark in six years and financial market turmoil triggered by Russia's invasion of Ukraine – resulted in a total net expense of DKK 85 million from the Malik and Nora windstorms and a negative investment result of close to DKK 100 million combined with costs for placement of the purchase consideration for Codan, bringing the consolidated profit on continuing activities excluding special costs to a loss of DKK 65 million before tax in Q1 2022, against a profit of DKK 107 million in Q1 2021.

Non-life Insurance reported a loss on continuing activities of DKK 10 million before tax and excluding special costs in Q1 2022, against a profit of DKK 129 million in Q1 2021.

Other activities were a loss of DKK 55 million before tax, consisting of group expenses as well as the return on the remaining mortgage deed and debt collection portfolio and the portfolio of unlisted shares and, most importantly, costs related to the placement of the purchase consideration for Codan until the closing date.

The Q1 performance also reflected special costs in a total amount of DKK 143 million in connection with preparations for the integration of Codan and the divestment of Alm. Brand Liv og Pension A/S as well as costs related to the

bankruptcy of Gefion Insurance, resulting in a pre-tax loss of DKK 208 million.

The group posted a profit on discontinued activities of DKK 544 million after tax, composed of a gain on the sale of Alm. Brand Liv og Pension A/S of DKK 537 million and the profit of Alm. Brand Liv og Pension for January and February in a total amount of DKK 7 million after tax.

This made for a consolidated profit of DKK 380 million after tax in Q1 2022.

CAPITALISATION

Alm. Brand has defined an ordinary dividend target 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.

Total capital amounted to DKK 14,437 million, and the group had a solvency ratio of 1,328 at 31 March 2022. This was due to the fact that the capital required for the acquisition of Codan had not yet been paid. Adjusted for these additional funds, the solvency ratio was 262.

Adjusted for the funds required for the acquisition of Codan, total capital was DKK 2,587 million, which was an increase of DKK 104 million relative to 31 December 2021. Total capital was favourably affected by earnings in Q1 2022, while the group's profit margin fell as a result of the sale of Alm. Brand Liv og Pension.

Total capital at 31 March 2022 did not include dividend in respect of 2021 of DKK 0.30, equivalent to DKK 462 million, which was approved at the annual general meeting held on 27 April 2022.

The solvency capital requirement for the group was DKK 1,087 million, with Alm. Brand Forsikring's solvency capital requirement being calculated according to the partial internal model. The group had high market risk exposure at 31 March 2022 due to the funds tied up for the acquisition of Codan. Adjusted for the market risk related to these funds, the solvency capital requirement was DKK 988 million. The decline relative to 31 December 2021 was predominantly attributable to the sale of Alm. Brand Liv og Pension.

The group is assessed to stand well prepared to manage the risks associated with its activities. In April 2022, the group sourced fresh capital in an amount of DKK 400 million, which will be included as tier 1 capital.

Capitalisation

	Q1 2022	FY 2021
DKKm		
Total capital for the group	2,587	2,483
Solvency capital requirement for the group	988	1,181
Solvency capital requirement excess	1,599	1,302
Total capital as a percentage of solvency capital requirement	262	210

OUTLOOK FOR 2022

Alm. Brand's consolidated profit for 2022 will be the sum of the profit generated by the present Alm. Brand and the profit generated by Codan plus realised synergies and less integration costs.

The current outlook comprises the financial performance of the original Alm. Brand.

Non-life Insurance is expected to report a technical result of DKK 650-700 million for 2022, which will be the guidance for the group's core business going forward. The guidance for the technical result is favourably affected by a higher level of interest rates and by the fact that the future costs for major claims and weather-related claims will expectedly be covered by Alm. Brand's reinsurance programme. The investment result is expected to be negative at around DKK 100 million in 2022 including the developments in April.

Overall, Non-life Insurance is expected to report a profit on continuing activities of DKK 550-600 million before tax and excluding run-off gains for the rest of the year, against the previously guided pre-tax profit range of DKK 525-575 million. This profit guidance covers a DKK 150 million upgrade of the guidance for the technical result after Q1 2022 and a DKK 125 million downgrade of the guidance for the investment result.

In addition, the guidance is based on premium growth of 4%, against a previous guidance range of 3-4%, which includes a significant growth contribution from partnerships.

The expense ratio is expected to be about 16.5, and the combined ratio excluding run-offs is expected to be about 89, against the previously expected range of 90-91.

The guidance for other activities is adjusted to a pre-tax loss of DKK 100 million, which includes costs related to the placement of the purchase consideration for Codan until closing of the transaction.

Alm. Brand thus overall retains its guidance for 2022 for a pre-tax profit on continuing activities excluding special costs of DKK 450-500 million. The guidance is exclusive of run-off gains and losses for the remaining three quarters of the year.

In continuation of the Codan acquisition, Alm. Brand still expects to realise synergies with an accounting effect of DKK 90 million in 2022. Restructuring costs for the realisation of the expected synergies and the integration of Codan are expected to total about DKK 300 million in 2022. In addition, Non-life Insurance will incur restructuring costs of about DKK 60 million relating to the sale of Alm. Brand Liv og Pension A/S and costs of DKK 20 million relating to the bankruptcy of Gefion Insurance.

The guidance for the profit of Codan will be communicated at the latest in connection with the release of the H1 interim financial statements in August 2022.

The financial guidance is based on an unchanged level of interest rates for the remainder of 2022. Because the group has a substantial portfolio of investment assets, changes in the level of interest rates may potentially affect the group's financial results.

FINANCIAL TARGETS

Alm. Brand has a target of a return on invested capital of 7% after tax related to the acquisition of Codan.

Moreover, Alm. Brand has defined a target for the combined group to triple the pre-tax profit relative to the original guidance range for 2021 of DKK 600-650 million. Adjusted to reflect the sale of Alm. Brand Liv og Pension and the resulting loss of earnings from these activities, Alm. Brand aims to generate a pre-tax profit of DKK 1.7-1.8 billion in the medium term.

Alm. Brand maintains its dividend policy and will thus distribute at least 70% of the post-tax profit for the year on continuing activities excluding special costs to its shareholders.

In Q4 2022, Alm. Brand expects to specify its financial targets for the combined group for the period until 2025.

MAJOR EVENTS

Expansion of the Management Board

On 28 March 2022, Alm. Brand announced that Anne Mette Toftegaard has been appointed new Deputy CEO of Alm. Brand A/S effective from 1 October 2022 and will join CEO Rasmus Werner Nielsen on the Management Board.

Completion of the sale of Alm. Brand Liv og Pension A/S

Closing of the sale of Alm. Brand Liv og Pension took place on 1 March 2022 following the Danish Financial Supervisory Authority's approval of the transaction.

MAJOR EVENTS AFTER THE BALANCE SHEET DATE

Completion of the acquisition of Codan Forsikring's Danish business ("Codan")

On 11 June 2021, Alm. Brand announced (see company announcement no. 11/2021) that it had entered into a binding agreement with Intact Financial Corporation and Tryg A/S to acquire Codan at a price of about DKK 12.6 billion. With the approval of the Danish Competition and Consumer Authority, Alm. Brand has received all relevant regulatory and competition approvals, and closing of the transaction thus took place on 2 May 2022.

Alm. Brand has acquired Codan Forsikring A/S (100% ownership) and its subsidiary Forsikringselskabet Privatsikring A/S.

Issue of Restricted Tier 1 capital

On 5 April 2022, Alm. Brand announced that the company had completed its first-ever public issue of Restricted Tier 1 (RT1) capital. The issue was for an amount of DKK 400 million and formed part of the financing of the Codan transaction. The capital securities were assigned an issuer rating of 'BBB-':

Rating of Codan Forsikring A/S

On 29 April 2022, Codan Forsikring A/S's Insurance Financial Strength Rating (IFSR) of 'A+' was affirmed by the international credit rating agency Fitch Ratings, the same rating that Fitch Ratings has assigned to Alm. Brand Forsikring A/S. Alm. Brand's ratings are unchanged. All issuer ratings are assigned a 'stable outlook', reflecting Fitch Ratings' expectation that the rating will remain at the level assigned in the short to medium term.

Change to the Board of Directors of Alm. Brand A/S

Henriette Pedersen (employee representative) was elected to the Board of Directors on 27 April 2022.

Change to the Management Board and Board of Directors of Codan Forsikring A/S

At an extraordinary general meeting held on 2 May 2022, a new Board of Directors was elected with the following members:

- Rasmus Werner Nielsen (Chairman)
- Andreas Ruben Madsen (Deputy Chairman)
- Jørgen Hesselbjerg Mikkelsen
- Boris Nørgaard Kjeldsen
- Karen Sofie Hansen-Hoeck
- Christian Sletten (employee representative)
- Maria Katharina Degn (employee representative)

In continuation thereof, Henrik Hvid was appointed CEO of the company.

Change to the Management Board and Board of Directors of Forsikringselskabet Privatsikring A/S

At an extraordinary general meeting held on 2 May 2022, a new Board of Directors was elected with the following members:

- Kim Bai Wadstrøm (Chairman)
- Andreas Ruben Madsen (Deputy Chairman)
- Kristian Hjort-Madsen
- Jan Kondrup

In continuation thereof, Mads Foged was appointed CEO of the company.

Non-Life Insurance

DKKm		Q1 2022	Q1 2021	FY 2021
INCOME STATEMENT	Gross premium income	1,394	1,321	5,407
	Claims expenses *)	-1,141	-927	-3,738
	Insurance operating expenses *)	-250	-236	-933
	Profit/loss on reinsurance	42	-54	67
	Technical result	45	104	803
	Interest and dividends, etc.	21	32	79
	Value adjustments	-270	120	-125
	Administrative expenses related to investment activities	-6	-3	-13
	Return on and value adjustments on technical provisions	200	116	160
	Investment return after return on and value adjustment of provisions	-55	25	101
	Profit/loss before tax excluding special costs, continuing activities	-10	129	904
	Special costs	-143	-	-34
	Profit/loss before tax, continuing activities	-153	129	870
	Tax, continuing activities	32	-30	-194
	Profit/loss after tax, continuing activities	-121	99	676
Profit/loss after tax, discontinued activities	544	7	18	
Profit/loss after tax	423	106	694	

DKKm		Q1 2022	Q1 2021	FY 2021
BALANCE SHEET	Run-off result, claims	30	7	109
	Technical provisions	8,721	7,916	7,828
	Insurance assets	437	99	337
	Shareholders' equity	2,297	3,125	1,687
	Total assets	12,298	12,766	10,910
FINANCIAL RATIOS	Gross claims ratio *)	81.9	70.2	69.1
	Net reinsurance ratio	-3.0	4.0	-1.3
	Claims experience *)	78.9	74.2	67.8
	Gross expense ratio *)	17.9	17.9	17.3
	Combined ratio *)	96.8	92.1	85.1
	Combined ratio excluding run-off result *)	98.9	92.7	87.1
	Combined ratio	97.1	92.1	86.4
	Return on equity before tax (% p.a.) **)	-1.8	16.8	46.9
Return on equity after tax (% p.a.) **)	-1.8	12.9	36.4	

*) Claims expenses and insurance operating expenses for 2022 include income from the Transitional Service Agreement (TSA) related to the divestment of Alm. Brand Liv og Pension A/S. Claims expenses are stated less DKK 2 million, and insurance operating expenses are stated less DKK 2 million. Financial ratios for 2022 have been restated accordingly.

Claims expenses and insurance operating expenses for 2021 include income from the Transitional Service Agreement (TSA) related to the divestment of Alm. Brand Bank A/S. Claims expenses are stated less DKK 22 million, and insurance operating expenses are stated less DKK 50 million. For Q1 2021, this item covers claims expenses of DKK 7 million and insurance operating expenses of DKK 17 million, respectively. Financial ratios for 2021 have been restated accordingly.

***) The calculation of return on equity is based on the profit before tax on continuing activities. In addition, adjustments for special costs have been made.

Non-life Insurance

Q1 PERFORMANCE

The technical result was DKK 45 million in Q1 2022, against DKK 104 million in the year-earlier period, driven by sustained favourable and highly satisfactory developments in underlying operations. As a result, the combined ratio was 81.2, which was a significant improvement from the relatively high level reported in Q1 2021, reflecting partly a more satisfactory minor claims experience as a result of initiatives to secure profitable business operations, which more than offset the increased claims inflation, and partly a better balance between price and expenses for workers' compensation claims and a positive effect driven by a higher level of interest rates.

Combined ratio

	Q1 2022	Q1 2021	FY 2021
Combined ratio, underlying business ex COVID-19 *)	81.2	85.1	79.6
COVID-19 effects, estimated	-	-2.2	-1.1
Combined ratio, underlying business *)	81.2	82.9	78.5
Weather-related claims, net of reinsurance	6.6	0.6	1.6
Major claims, net of reinsurance	10.2	8.9	7.7
Run-off result, claims	-2.2	-0.6	-2.0
Change in risk margin	1.0	0.3	-0.7
Combined ratio *)	96.8	92.1	85.1

*) The combined ratio for 2022 was calculated taking into account an income of DKK 4 million from the TSA equalling 0.3 of a percentage point as per the overview of financial highlights and key ratios.

The combined ratio for 2021 was calculated taking into account an income of DKK 72 million from the TSA equalling 1.3 percentage points as per the overview of financial highlights and key ratios.

In spite of the favourable underlying trend, the combined ratio increased to 96.8 in Q1 2022, from 92.2 in the same period of last year. The result was affected in particular by high claims expenses for the windstorms Malik and Nora at the beginning of the year, which had an isolated net effect on the combined ratio of 6.1 percentage points, and a number of major claims during the first three months of the year.

The turbulent developments in the financial markets resulted in a loss on investments of DKK 55 million in Q1 2022, against a gain of DKK 25 million in Q1 2021.

Non-life Insurance generated a pre-tax loss on continuing activities of DKK 10 million excluding special costs in Q1 2022, against a profit of DKK 129 million in Q1 2021.

The loss reported by Non-life Insurance on continuing activities reflected special costs in a total amount of DKK 143 million, consisting of costs in connection with preparations for the integration of Codan of DKK 63 million, provisions for the divestment of Alm. Brand Liv og Pension A/S of DKK 60 million and costs related to the bankruptcy of Gefion Insurance of DKK 20 million, resulting in a pre-tax loss of DKK 153 million.

Alm. Brand Liv og Pension A/S was sold effective from 1 March 2022, producing an accounting gain of DKK 537 million after recognition of costs directly associated with the transaction. The gain is presented under 'Profit/loss from discontinued operations after tax' including the realised profit of DKK 7 million after tax generated by the company in January and February 2022.

As a result, Non-life Insurance posted a consolidated profit of DKK 423 million after tax.

Premiums

Gross premiums increased by 5.5% to DKK 1,394 million in Q1 2022, from DKK 1,321 million in Q1 2021, supported by a wide range of factors, including a number of market-oriented initiatives across the sales organisation, a higher rate of retention of existing customers in Private and a very positive sales performance generated through Alm. Brand's strategic partnerships.

Claims experience

The claims experience for Q1 2022 was 78.9%, against 74.2% in Q1 2021, reflecting improved underlying insurance operations. However, this positive trend was offset by higher claims expenses for major and weather-related claims and a normalisation of claims levels after the re-opening of society post COVID-19.

Underlying business

The underlying claims ratio was 63.3 in Q1 2022, against 65.1 (67.3 excluding COVID-19 effects) in the year-earlier period. The positive trend was driven by a favourable claims experience for minor claims, improvements made in claims processing and a positive effect on technical provisions as a result of a higher interest rate level.

Weather-related claims

Expenses for weather-related claims net of reinsurance amounted to DKK 91 million in Q1 2022, against a mere DKK 7 million in Q1 2021. The increase was predominantly attributable to expenses related to the severe windstorm Malik, which hit Denmark in January, and to a lesser extent expenses related to the windstorm Nora, which made landfall in February. Weather-related claims affected the combined ratio by 6.6 percentage points, against the expected normal range for the year of 3-4 percentage points.

Major claims

Expenses for major claims net of reinsurance amounted to DKK 143 million in Q1 2022, against DKK 117 million in Q1 2021. Like in the same period of last year, a high frequency of major claims and a few major claims triggering coverage under the reinsurance programme were reported in Q1 2022. Major claims affected the combined ratio by 10.2 percentage points in total, against 8.9 percentage points in Q1 2021.

As a result of the reinsurance programme, it is expected that a greater part of future expenses for weather-related claims and major claims will be covered by reinsurance, which will mean lower 'net of reinsurance' levels for the rest of the year.

Run-off result

The run-off result on claims net of reinsurance amounted to a gain of DKK 30 million in Q1 2022, against a gain of DKK 7 million in Q1 2021, which included a positive contribution mainly from contents and building insurance. Run-off gains thus affected the combined ratio by 2.2 percentage points, equivalent to an expected average level.

Risk margin

The change in the overall risk margin reduced the Q1 performance by 1.0 percentage point, equivalent to DKK 14 million, against DKK 4 million in Q1 2021. The risk margin increased as a result of higher provisions due to weather-related claims and major claims, among other things.

Costs

Insurance operating expenses increased from DKK 236 million to DKK 250 million, among other things as a result of higher commissions due to increased sales activity, bringing the expense ratio to 17.9, which was unchanged from Q1 2021.

Net reinsurance ratio

The Q1 net reinsurance ratio was negative at 3.0 (income), which was due to the fact that reported weather-related claims and major claims triggered coverage under the reinsurance programme in excess of the premium paid. By comparison, the net reinsurance ratio was 4.0 in Q1 2021.

Discounting

The yield curve, which is used for discounting premium and claims provisions, increased by about 1.0 percentage point at the mid-part of the curve in Q1 2022. The interest rate change is assessed to have improved the combined ratio by approximately 1.1 percentage points in Q1 and to improve the full-year combined ratio by 1.2 percentage points. Interest rates increased further after the end of the quarter, which will expectedly have largely the same relative effect on the combined ratio.

PRIVATE

The technical result amounted to a profit of DKK 59 million in Q1 2022, against DKK 88 million in the year-earlier period. The combined ratio was 91.1, against 86.3 in Q1 2021, driven by favourable developments in the underlying claims ratio in spite of the post COVID-19 re-opening of society. However, this positive trend was offset by high claims expenses for weather-related claims related to the Malik windstorm.

Gross premiums rose by 4.3% to DKK 668 million in Q1 2022, from DKK 641 million in the same period of last year, driven by a number of targeted sales initiatives and the launch of several successful retention initiatives across Private. Moreover, Alm. Brand's strategic partnerships contributed more to the overall growth in premiums than previously.

Private

DKKm	Q1 2022	Q1 2021	FY 2021
Gross premium income	668	641	2,592
Gross claims expenses *)	-468	-415	-1,577
Insurance operating expenses *)	-131	-125	-514
Profit/loss on reinsurance	-10	-13	-41
Technical result	59	88	460
Run-off result, claims	-3	11	63
Gross claims ratio *)	70.0	64.7	60.8
Net reinsurance ratio	1.5	2.0	1.6
Claims experience *)	71.5	66.7	62.4
Gross expense ratio *)	19.6	19.6	19.8
Combined ratio *)	91.1	86.3	82.2
Combined ratio, underlying business *)	83.6	84.7	81.5
Weather-related claims, net of reinsurance	4.9	0.3	1.0
Major claims, net of reinsurance	2.1	3.0	2.6
Run-off result, claims	0.4	-1.8	-2.4
Change in risk margin	0.1	0.1	-0.5
Combined ratio *)	91.1	86.3	82.2

*) Claims expenses are stated less DKK 1 million and insurance operating expenses are stated less DKK 1 million from the TSA. Financial ratios have been restated accordingly.

Claims expenses for 2021 are stated less DKK 10 million and insurance operating expenses are stated less DKK 23 million from the TSA. For Q1 2021, this item covers claims expenses of DKK 3 million and insurance operating expenses of DKK 8 million, respectively. Financial ratios have been restated accordingly.

The claims experience excluding run-off gains was 71.1%, against 68.5% in Q1 2021, principally reflecting higher claims expenses for weather-related claims as a result of the Malik windstorm in January. Net of reinsurance, expenses for weather-related claims amounted to DKK 33 million in Q1 2022, which sharply contrasts with the expense of merely DKK 2 million incurred in the year-earlier period. Weather-related claims affected the combined ratio by 4.9 percentage points, against 0.3 of a percentage point in Q1 2021.

Expenses for major claims totalled DKK 14 million net of reinsurance in Q1 2022, against DKK 19 million in Q1 2021, and were thus on a par with last year's moderate level, affecting the combined ratio by 2.1 percentage points, against 3.0 percentage points in Q1 2021.

The underlying claims ratio was 64.0 in Q1 2022, against 65.1 in Q1 2021, marking a favourable development supported by the many claims processing initiatives launched.

The net reinsurance ratio was 1.5 in Q1 2022, against 2.0 in Q1 2021.

Insurance operating expenses rose by DKK 6 million to DKK 131 million, mainly as a result of an increase in sales-related commissions, for an expense ratio of 19.6, which was unchanged from Q1 2021.

The run-off result net of reinsurance amounted to a loss of DKK 3 million in Q1 2022, against a gain of DKK 11 million in Q1 2021.

The change in the risk margin affected the full-year performance by a negative amount of DKK 1 million, equivalent to a 0.1 percentage point effect on the combined ratio.

COMMERCIAL

The technical result was a loss of DKK 14 million in Q1 2022, against a profit of DKK 16 million in the same period of 2021. The result was favourably affected by a sustained favourable minor claims experience, but substantial claims expenses related to weather-related and major claims more than offset the positive effects. The combined ratio was 102.0, against 97.7 in Q1 2021.

Gross premium income increased by 6.7% to DKK 726 million in Q1 2022, from DKK 680 million in Q1 2021. In the first quarter, Commercial successfully maintained its focus on further developing its market position and on attracting new customers and retaining existing customers by being more visible.

The claims experience excluding run-off result increased to 90.1% in Q1 2022, from 80.9% in Q1 2021, reflecting a high level of claims expenses for both major claims and weather-related claims among agricultural customers in particular.

Expenses for weather-related claims totalled DKK 59 million net of reinsurance in Q1 2022, against DKK 5 million in Q1 2021, and affected the combined ratio by 8.1 percentage points, against 0.8 of a percentage point in the year-earlier period.

Net of reinsurance, expenses for major claims amounted to DKK 129 million in Q1 2022, against DKK 98 million in Q1 2021. As was the case in Q1 2021, the number of major claims and total expenses for major claims came out higher than anticipated in Q1 2022. Major claims affected the Q1 2022 combined ratio by 17.7 percentage points, as compared with 14.4 percentage points last year.

Commercial

DKKm	Q1 2022	Q1 2021	FY 2021
Gross premium income	726	680	2,815
Gross claims expenses *)	-673	-512	-2,161
Insurance operating expenses *)	-119	-111	-419
Profit/loss on reinsurance	52	-41	108
Technical result	-14	16	343
Run-off result, claims	33	-4	46
Gross claims ratio *)	92.8	75.3	76.8
Net reinsurance ratio	-7.2	6.2	-3.9
Claims experience *)	85.6	81.5	72.9
Gross expense ratio *)	16.4	16.2	14.9
Combined ratio *)	102.0	97.7	87.8
Combined ratio, underlying business *)	79.0	81.3	75.7
Weather-related claims, net of reinsurance	8.1	0.8	2.1
Major claims, net of reinsurance	17.7	14.4	12.4
Run-off result, claims	-4.5	0.6	-1.6
Change in risk margin	1.7	0.6	-0.8
Combined ratio *)	102.0	97.7	87.8

*) Claims expenses for 2022 are stated less DKK 1 million and insurance operating expenses are stated less DKK 1 million from the TSA. Financial ratios have been restated accordingly.

Claims expenses for 2021 are stated less DKK 12 million and insurance operating expenses are stated less DKK 27 million from the TSA. For Q1 2021, this item covers claims expenses of DKK 4 million and insurance operating expenses of DKK 9 million, respectively. Financial ratios have been restated accordingly.

The underlying claims ratio was 62.6 in Q1 2022, against 65.1 in Q1 2021, reflecting a sustained satisfactory level considering the general claims inflation.

Insurance operating expenses rose by DKK 8 million to DKK 119 million, which, as was the case for Private, was due to an increase in sales commissions, resulting in an expense ratio of 16.4, against 16.2 in Q1 2021.

The run-off result net of reinsurance amounted to a gain of DKK 33 million in Q1 2022, against a loss of DKK 4 million in Q1 2021. The run-off result comprised a positive result on contents and building insurance in particular.

The change in the overall risk margin reduced the Q1 performance by a net amount of DKK 13 million, equivalent to a negative effect on the combined ratio of 1.7 percentage points, and was due to higher provisions as a result of weather-related claims and major claims.

INVESTMENT RESULT

The investment result was a loss of DKK 55 million in Q1 2022, against a gain of DKK 25 million in the year-earlier period. The result should be seen in light of a quarter characterised by high geopolitical uncertainty due to the Russian invasion of Ukraine and uncertainty triggered by rising prices and inflation fears.

The Q1 investment return was adversely impacted by rising

interest rates, falling share prices and widening credit spreads for Danish mortgage bonds and European credit bonds. Property investments and emerging market bonds contributed favourably to the performance.

Investment assets are distributed on Danish and international bonds, mortgage deeds and illiquid credit, equities and property investments. 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 discount 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.

Hedging of technical provisions produced a slightly negative result in Q1 2022.

CAPITALISATION

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 932 million at 31 March 2022, against DKK 973 million at 31 December 2021.

The total capital for coverage of the solvency capital requirement was DKK 1,800 million at 31 March 2022, an excess cover of DKK 868 million relative to the solvency capital requirement. In March 2022, extraordinary dividends of DKK 940 million were paid as a result of the sale of Alm. Brand Liv og Pension A/S.

At 31 March 2022, the shareholders' equity of Non-life Insurance was DKK 2,297 million.

Investment return

DKKm	Q1 2022			Q1 2021		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	9,652	-199	-2.1%	9,860	-119	-1.3%
Mortgage deeds etc.	454	-19	-4.3%	550	-2	-0.4%
Shares	376	-38	-10.0%	361	30	8.0%
Properties	295	7	2.4%	273	3	2.2%
Illiquid credit	96	-	-	48	-	-
Total return on investments	10,783	-249	-2.3%	11,092	-88	-0.9%
Administrative expenses related to investment activities		-6			-3	
Return on and value adjustments on technical provisions		200			116	
Net investment return		-55			25	

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 2022.

The consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. In addition, the condensed 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 assets, liabilities and financial position at 31 March 2022 and of the group’s cash flows for the period 1 January to 31 March 2022.

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

Management Board

Copenhagen, 12 May 2022

Rasmus Werner Nielsen
Chief Executive Officer

Board of Directors

Copenhagen, 12 May 2022

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Boris Nørgaard Kjeldsen

Pia Laub

Tina Schmidt Madsen

Brian Egested

Claus Nexø Jensen

Lotte Kathrine Sørensen

Henriette Pedersen

Income statement

DKKm	Group		
	Q1 2022	Q1 2021	FY 2021
Gross premiums written	2,124	2,056	5,442
Premiums ceded to reinsurers	-59	-102	-230
Change in premium provision	-744	-763	-1
Change in profit margin and risk margin	14	28	-34
Change in provision for unearned premiums, reinsurers' share	-6	42	-3
Earned premiums, net of reinsurance	1,329	1,261	5,174
Claims paid, gross	-894	-797	-3,080
Claims paid, reinsurers' share	0	6	16
Change in the provision for claims	-234	-126	-716
Change in risk margin	-14	-4	36
Change in provision for claims, reinsurers' share	107	0	283
Claims incurred, net of reinsurance	-1,035	-921	-3,461
Acquisition costs	-201	-184	-761
Administrative expenses	-52	-52	-222
Reinsurance commissions and profit participation	0	0	1
Net operating expenses	-253	-236	-982
Technical result	41	104	731
Interest income and dividends, ect.	36	41	102
Value adjustments	-312	-133	-143
Interest expenses	-9	-7	-15
Other income	0	9	29
Administrative expenses related to investment activities	-34	-23	-97
Total investment return	-319	-113	-124
Return on and value adjustments on technical provisions	200	116	160
Total investment return after return on and value adjustment on technical provisions	-119	3	36
Other income	8	0	72
Other expenses	-138	0	-141
Profit/loss before tax, continuing activities	-208	107	698
Tax, continuing activities	44	-27	-192
Profit/loss after tax, continuing activities	-164	80	506

Statement of comprehensive income

DKKm	Group		
	Q1 2022	Q1 2021	FY 2021
Profit/loss after tax, discontinuing activities	544	24	92
Profit/loss after tax	380	104	598
Earnings per share, DKK, continuing activities	-0.4	0.7	2.0
Diluted earnings per share, DKK, continuing activities	-0.4	0.7	2.0
Earnings per share, DKK	0.2	0.7	2.4
Diluted earnings per share, DKK	0.2	0.7	2.4
Comprehensive income			
Profit for the period	380	104	598
<i>Items that are or may be reclassified to profit or loss</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Items that will not be reclassified to profit or loss:</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total other comprehensive income	0	0	0
Comprehensive income	380	104	598
Proposed allocation of profit/loss:			
Proposed dividend	0	0	462
Share attributable to Alm. Brand	380	104	136
Comprehensive income	380	104	598

Balance sheet

DKKm	Group		
	31 March 2022	31 March 2021	31 December 2021
Assets			
Intangible assets	52	12	43
Tangible assets	791	132	132
Group occupied property	0	716	0
Tangible assets	791	848	132
Investment properties	0	793	0
Equities	583	1,845	599
Unit trust units	8,234	3,270	9,024
Bonds	13,966	21,645	11,980
Mortgage deeds	529	679	581
Indlån i kreditinstitutter	252	0	0
Other	235	883	140
Investments assets	23,799	28,322	22,324
Reinsurers' share of provision for unearned premiums	0	46	1
Reinsurers' share of life insurance provision for claims	0	31	0
Reinsurers' share of provision for claims	443	222	336
Reinsurers' share of insurance contract provisions	443	299	337
Receivables related to direct insurance contracts	149	185	117
Receivables from insurance companies	30	41	28
Tilgodehavender hos tilknyttede virksomheder	29	3	0
Other receivables	309	458	255
Receivables	517	687	400
Udskudte skatteaktiver	48	71	0
Current tax assets	46	5	21
Assets held for sale	0	0	18,725
Cash in hand and demand deposits	223	355	110
Other assets	317	431	18,856
Interest receivable	95	107	74
Other prepayments	23	104	69
Prepayments	118	211	143
Total assets	26,037	31,603	42,235

Balance sheet

DKKm	Group		
	31 March 2022	31 March 2021	31 December 2021
Liabilities and equity			
Share capital	1,541	1,541	1,541
Reserves, retained earnings, ect.	12,075	1,418	11,703
Proposed dividend	462	1,079	462
Consolidated shareholders' equity	14,078	4,038	13,706
Subordinated debt	1,295	400	1,295
Premium provisions	1,836	1,934	1,128
Life insurance provisions	0	16,251	0
Profit margin on general insurance contracts	504	397	486
Profit margin on life insurance and investment contracts	0	362	0
Provision for outstanding claims	6,133	5,858	5,968
Risk margin on general insurance contracts	248	323	246
Provision for insurance contracts	8,721	25,125	7,828
Pension obligations ect.	12	16	13
Deferred tax liabilities	0	0	19
Andre hensættelser	20	0	0
Provisions	32	16	32
Payables related to direct insurance	85	86	83
Payables related to reinsurance	10	12	15
Issued bonds	150	152	150
Payables to credit institutions and central banks	252	558	322
Liabilities related to assets held for sale	0	0	18,146
Other payables	1,394	1,192	643
Payables	1,891	2,000	19,359
Accruals and deferred income	20	24	15
Liabilities	26,037	31,603	42,235
Note 1	Own shares		
Note 2	Contractual obligation and leasing		
Note 3	Fair value measurement of financial instruments		
Note 4	Accounting policies - Group		
Note 5	Financial highlights and key ratios		

Statement of changes in equity

DKKm	Share capital	Other provisions etc.	Retained profit	Proposed dividend	Consolidated equity
Shareholders' equity, 1 January 2021	1,541	1,215	1,332	1,079	5,167
Changes in equity Q1 2021:					
Profit/loss for the period			104		104
Comprehensive income	0	0	104	0	104
Dividend distributed			-1,231	0	-1,231
Purchase and sale of treasury shares			-2		-2
Changes in equity	0	0	-1,129	0	-1,129
Shareholders' equity, 31 March 2021	1,541	1,215	1,434	1,079	4,038
Shareholders' equity at 1 January 2021	1,541	1,215	1,332	1,079	5,167
Changes in equity 2021:					
Profit/loss for the year			598	0	598
Comprehensive income	0	0	598	0	598
Reduction of capital	-1,387	-1,215	2,602		0
Issue of new shares pr. 2. december 2021	1,387	0	9,085		10,472
Cost related to the issue of new shares			-231		-231
Proposed dividend			-462	462	0
Dividend distributed			-1,229	-1,079	-2,308
Purchase and sale of treasury shares			8		8
Changes in equity	0	-1,215	10,371	-617	8,539
Shareholders' equity, 31 December 2021	1,541	0	11,703	462	13,706
Shareholders' equity, 1 January 2022	1,541	0	11,703	462	13,706
Changes in equity Q1 2022:					
Profit/loss for the year			380		380
Comprehensive income	0	0	380	0	380
Purchase and sale of treasury shares			-8		-8
Changes in equity	0	0	372	0	372
Shareholders' equity, 31 March 2022	1,541	0	12,075	462	14,078

Cash flow statement

DKKm				Group		
	Q1 2022	Q1 2021	FY 2021	Q1 2022	Q1 2021	FY 2021
Cash flows from operating activities						
Premiums received	2,218	2,178	5,572			
Claims paid	-969	-890	-3,080			
Dividends received	13	4	12			
Interest , etc. received	2	40	78			
Interest expenses	-8	0	-14			
Payments concerning reinsurance	-70	-107	-210			
Expenses paid	-237	-186	-1,245			
Other ordinary income received	428	0	66			
Taxes paid/received	-48	-13	-187			
Cash flows from operating activities, continuing activities	1,329	1,026	992			
Cash flows from operating activities, discontinuing activities	-38	-159	-70			
Cash flows from operating activities	1,291	867	922			
Change in investment placement (net)						
Acquisition of intangible assets, furniture, equipment, Properties acquired or converted	-11	-3	-38			
Sale/aquisition of equity investments	1,146	-226	-8,300			
Sale/repayment of mortgage deeds and loans	55	65	156			
Sale/aquisition of bonds	-2,094	320	-2,008			
Change in investment placement, continuing activities	-904	158	-10,190			
Change in investment placement, discontinuing activities	164	399	891			
Change in investment placement	-740	557	-9,299			
Change in financing						
Sale/purchase of treasury shares	-8	-2	8			
Dividend distributed	0	-1,229	-2,308			
Issue of new shares	0	0	10,241			
Repayment of subordinated debt	0	0	895			
Change in payables to credit institutions	-323	-30	215			
Change in other liabilities	19	0	-6			
Change in financing, continuing activities *)	-312	-1,261	9,045			
Change in financing, discontinuing activities	-150	-332	-904			
Change in financing	-462	-1,593	8,141			
Net change in cash and cash equivalents, continuing activities	113	-77	-153			
Net change in cash and cash equivalents, discontinuing activities	-24	-92	-83			
Cash and cash equivalents, beginning of period, discontinuing activities	178		0			
Cash in hand and demand deposits presented within assets held for sale	0	0	-178			
Disposals relating to divestment	-154					
Cash and cash equivalents, beginning of period	110	524	524			
Cash and cash equivalents, end of period	223	355	110			

*) The amount of DKK 312 million consists only of cash inflows og outflows.

Segment reporting

DKKm						Q1 2022
	Private	Commercial	Non-life	Other	Elimi- nation	Group
Gross premiums written	746	1,378	2,124	0	0	2,124
Premiums ceded to reinsurers	-12	-47	-59	0	0	-59
Change in premium provision	-59	-685	-744	0	0	-744
Change in profit margin and risk margin	-19	33	14	0	0	14
Change in provision for unearned premiums, reinsurers' share	-1	-5	-6	0	0	-6
Earned premiums, net of reinsurance	655	674	1,329	0	0	1,329
Claims paid, gross	-443	-451	-894	0	0	-894
Claims paid, reinsurers' share	0	0	0	0	0	0
Change in the provision for claims	-25	-209	-234	0	0	-234
Change in risk margin	-1	-13	-14	0	0	-14
Change in provision for claims, reinsurers' share	3	104	107	0	0	107
Claims incurred, net of reinsurance	-466	-569	-1,035	0	0	-1,035
Acquisition costs	-113	-88	-201	0	0	-201
Administrative expenses	-19	-33	-52	0	0	-52
Reinsurance commissions and profit participation	0	0	0	0	0	0
Net operating expenses	-132	-121	-253	0	0	-253
Technical result	57	-16	41	0	0	41
Interest income and dividends, ect.			24	12	0	36
Value adjustments			-269	-43	0	-312
Interest expenses			-4	-5	0	-9
Other income			0	0	0	0
Administrative expenses related to investment activities			-7	-27	0	-34
Total investment return			-256	-63	0	-319
Return on and value adjustments on technical provisions			200	0	0	200
Total investment return after return on and value adjustment on technical provisions			-56	-63	0	-119
Other income			0	8	0	8
Other expenses			-138	0	0	-138
Profit/loss before tax, continuing activities			-153	-55	0	-208
Tax, continuing activities			32	12	0	44
Profit/loss after tax, continuing activities			-121	-43	0	-164
Profit/loss after tax, discontinuing activities			544	0	0	544
Profit/loss after tax			423	-43	0	380

*) Profit from discontinuing operations of DKK 544 million after tax includes both life insurance and health/personal accident activities.

Segment reporting

DKKm						Q1 2021
	Private	Commercial	Non-life	Other	Elimi- nation	Group
Gross premiums written	741	1,315	2,056	0	0	2,056
Premiums ceded to reinsurers	-22	-80	-102	0	0	-102
Change in premium provision	-92	-671	-763	0	0	-763
Change in profit margin and risk margin	-8	36	28	0	0	28
Change in provision for unearned premiums, reinsurers' share	10	32	42	0	0	42
Earned premiums, net of reinsurance	629	632	1,261	0	0	1,261
Claims paid, gross	-399	-398	-797	0	0	-797
Claims paid, reinsurers' share	0	6	6	0	0	6
Change in the provision for claims	-16	-110	-126	0	0	-126
Change in risk margin	-1	-3	-4	0	0	-4
Change in provision for claims, reinsurers' share	1	-1	0	0	0	0
Claims incurred, net of reinsurance	-415	-506	-921	0	0	-921
Acquisition costs	-105	-79	-184	0	0	-184
Administrative expenses	-21	-31	-52	0	0	-52
Reinsurance commissions and profit participation	0	0	0	0	0	0
Net operating expenses	-126	-110	-236	0	0	-236
Technical result	88	16	104	0	0	104
Interest income and dividends, ect.			37	4	0	41
Value adjustments			-120	-13	0	-133
Interest expenses			-5	-2	0	-7
Other income			0	9	0	9
Administrative expenses related to investment activities			-3	-20	0	-23
Total investment return			-91	-22	0	-113
Return on and value adjustments on technical provisions			116	0	0	116
Total investment return after return on and value adjustment on technical provisions			25	-22	0	3
Other expenses			0	0	0	0
Profit/loss before tax, continuing activities			129	-22	0	107
Tax, continuing activities			-30	3	0	-27
Profit/loss after tax, continuing activities			99	-19	0	80
Profit/loss after tax, discontinuing activities			0	24	0	24
Profit/loss after tax			99	5	0	104

*) Profit from discontinuing operations of DKK 24 million after tax includes both life insurance and health/personal accident activities.

Notes

DKKm	Group		
	FY 2022	FY 2021	
Note 1 Treasury shares			
Nominal value, beginning of year	2	3	3
Acquired during the year	10	1	5
Sold during the year	-4	-1	-6
Cancellation of treasury shares	0	0	0
Nominal value, end of year	8	3	2
Holding number of shares ('000), beginning of period	49	227	227
Additions, number of shares	1,018	95	460
Disposals, number of shares	-403	-70	-638
Cancellation of treasury shares	0	0	0
Holding number of shares ('000), end of year	664	252	49
Percentage of share capital, end of year	0.4%	0.2%	0.0%

Note 2 Contractual obligation and leasing

Contractual obligation	253	773	244
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The Alm. Brand Group is contractually obliged to pay rent of DKK 230 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 169 million.

Notes

DKKm	31 March 2022				31 December 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Note 3 Fair value measurement of financial instruments								
<u>Financial assets</u>								
Loans and advances	0	0	529	529	0	0	583	583
Bonds	2,002	11,964	0	13,966	11,659	319	0	11,978
Shares	8,706	0	111	8,817	9,223	0	400	9,623
Other assets	0	806	0	806	0	372	0	372
Total financial assets	10,708	12,770	640	24,118	20,882	691	983	22,556
<u>Financial liabilities</u>								
Subordinated debt	0	0	1,295	1,295	0	0	1,295	1,295
Issued bonds	0	0	150	150	0	0	150	150
Other payables	0	262	0	262	0	262	0	262
Total financial liabilities	0	262	1,445	1,707	0	262	1,445	1,707

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 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 2021 or 2022.

In 2021, the group has transferred most of its investment portfolios to investment associations.

In connection with the acquisition of Codan, an amount of DKK 11,811 million has been reserved in an escrow account.

Notes

DKKm	31 March 2022					
	Loans and advances	Bonds	Shares	Investment properties	Issued bonds (liability)	Subordinated debt (liability)
Development in level 3 financial instruments						
Carrying amount, beginning of period		583	0	400	150	400
Additions during the year		1	0	0	0	1,295
Disposals during the year		-28	0	-289	0	-400
Realised value adjustments		2	0	0	0	0
Unrealised value adjustments		-29	0	0	0	0
Carrying amount, end of period		529	0	111	150	1,295
Value adjustments recognised in the income statement		-27	0	0	0	0
31 December 2021						
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		738	6	496	152	400
Additions during the year		5	0	646	0	1,295
Disposals during the year		-135	-6	0	0	-400
Disposals relating to the divestment of Alm. Brand Bank A/S		0	0	-770	0	0
Realised value adjustments		4	0	0	0	0
Unrealised value adjustments		-29	0	28	-2	0
Carrying amount, year-end		583	0	400	150	1,295
Value adjustments recognised in the income statement		-25	0	28	-2	0

NOTE 4 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 scope of the report is limited relative to the presentation of a full annual report.

The accounting policies are unchanged from the consolidated financial statements and parent company financial statements for 2021, to which reference is made. The annual report for 2021 contains a full description of the accounting policies.

Following the Danish Financial Supervisory Authority’s and the Danish Competition and Consumer Authority’s approvals of Alm. Brand A/S’s acquisition of Codan’s Danish business from Intact and Tryg, closing of the transaction took place on 2 May 2022. Codan’s Danish business consists of the companies Codan Forsikring A/S and Privatsikring A/S, with Alm. Brand A/S having acquired 100% of the share capital and the voting rights.

Codan Forsikring A/S and Privatsikring A/S carry on insurance activities in the Danish market for private and commercial customers.

With the acquisition of Codan Forsikring and Privatsikring, the Alm. Brand Group will increase its presence in the Danish non-life insurance market, enabling it to offer its customers even better insurance solutions.

With effect from 2 May 2022, the Alm. Brand Group has implemented accounting policies in a number of areas as a result of new subsidiaries in the group. The new areas are described in the sections below.

Business combinations, acquisition of subsidiaries

Newly acquired businesses are recognised in the consolidated financial statements from the acquisition date. Comparative figures are not restated to reflect recent acquisitions. On acquisition of new businesses in which the group assumes control over the acquired business, the acquisition method of accounting is applied. The identifiable assets, liabilities and contingent liabilities of the acquired business are measured at their fair values at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax is recognised on the basis of the revaluations made.

The acquisition date is the date on which the group effectively assumes control of the acquired businesses. The acquisition date on which the Alm. Brand Group effectively assumed control was 2 May 2022 when the final regulatory approvals had been granted. The financial statements of Codan Forsikring and Privatsikring will be consolidated in the financial statements of the Alm. Brand Group as of 2 May 2022, at which date a group affiliation was established.

Expenses incurred during the year in connection with an acquisition are recognised in ‘Other expenses’ in the year in which they are incurred.

If the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration is subject to uncertainty at the acquisition date, recognition will be based on a preliminary calculation of the values. In the event of a subsequent adjustment of the preliminary calculation of the values, the calculation will be adjusted retrospectively until 12 months after the acquisition, and comparative figures will be restated accordingly. After that, no adjustments will be made to the calculation.

As a natural consequence of the very short period of time from the acquisition date to the publication of this quarterly announcement, it has not yet been possible to complete the preliminary calculation of the accounting value of the acquisition of Codan’s Danish business, including the final purchase consideration and the allocation of the purchase consideration etc.

Intangible assets

Goodwill

Goodwill arises on the acquisition of a business and is calculated as the difference between the cost of the acquired business and the fair value of the net assets acquired. Goodwill represents the value of the expected profit of Codan which cannot be attributed reliably to individually identifiable assets, including the value of brand and customer relationships as well as expected future synergies from the combination of the businesses. Goodwill is allocated to business units constituting the smallest identifiable cash-generating units, corresponding to the internal reporting structure and the level at which management monitors the investment. Goodwill is not amortised; instead each business unit is tested for impairment at least once a year or more frequently if indications of impairment exist.

Goodwill is written down to its recoverable amount in the income statement provided that the carrying amount of the net assets of the cash-generating unit exceeds the higher of the assets’ net selling price and their value in use, which equals the present value of the future cash flows expected to be derived from the unit.

A number of different factors affect the net present value of expected future cash flows, including discount rates, changes in the economic outlook, changes in customer behaviour and competition as well as actuarial assumptions.

The combined activities of the acquired businesses are considered a cash-generating unit (CGU) for the purpose of impairment testing.

Brand value and customer relationships

Brand value and customer relationships acquired in connection with the business combination are recognised as separate identifiable intangible assets. The fair value at the acquisition date of brand value and customer relationships is based on the Multi Period Excess Earnings Method (MEEM), in which the brand value and customer relationships are calculated at the net present value of the expected future cash flow obtained through sales to customers less a reasonable return on all other assets contributing to generating these cash flows.

Brands and customer relationships are subsequently measured at cost less accumulated amortisation and impairment losses. Brand value and customer relationships will be amortised over a period of 8-10 years, which represents management's expectations of the period over which the majority of the future earnings on existing contracts will be earned. On objective evidence of impairment, the brand value and customer relationships are tested for impairment and, if impaired relative to the carrying amount, written down to the new estimated value of the expected future earnings.

NOTE 5 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management's review.

DISCLAIMER

The forecast is based on the interest rate and price levels that prevailed at the beginning of May 2022. 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.

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.

Run-off gains/losses, net of reinsurance

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

Gross premium income

Gross premium income is calculated as gross premiums adjusted for changes in premium provisions, profit margin and risk margin. Gross premium income is regulated for bonus and premium discounts.

Gross claims ratio

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

Gross expense ratio (%)

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

Price/NAV

$$\frac{\text{Share price}}{\text{Net asset value per share}}$$

Combined ratio

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

Return on equity after tax*

$$\frac{\text{Profit for the year} \times 100}{\text{Average shareholders' equity}}$$

Return on equity before tax*

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

Net asset value per share**

$$\frac{\text{Shareholders' equity} \times 100}{\text{No. of shares at year-end}}$$

Net reinsurance ratio

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

Earnings per share**

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

Claims experience

$$\frac{\text{Sum of claims ratio and reinsurance ratio}}{\text{Reinsurance ratio}}$$

Dividend per share

$$\frac{\text{Total amount distributed for the financial year} \times 100}{\text{No. of shares at year-end}}$$

ALTERNATIVE PERFORMANCE MEASURES (APM)

Underlying combined ratio

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

Underlying combined ratio less expense ratio

Major claims, net of reinsurance

$$\frac{\text{Major claims, net of reinsurance}}{\text{Gross premium income}}$$

Weather-related claims, net of reinsurance

$$\frac{\text{Weather-related claims, net of reinsurance}}{\text{Gross premium income}}$$

Change in risk margin

$$\frac{\text{Change in risk margin}}{\text{Gross premium income}}$$

COVID-19 effect

$$\frac{\text{Estimated effect of COVID-19 on claims expenses}}{\text{Gross premium income}}$$

*) 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.

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

Company information

Board of Directors

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Boris Nørgaard Kjeldsen

Pia Laub

Tina Schmidt Madsen

Brian Egested
Employee representative

Claus Nexø Jensen
Employee representative

Lotte Kathrine Sørensen
Employee representative

Henriette Pedersen
Employee representative

Management Board

Rasmus Werner Nielsen
Chief Executive Officer

Auditors

EY
Godkendt 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