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Alm
Brand

ALM. BRAND

Interim report first half 2019

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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.

Alm. Brand A/S



Alm. Brand Forsikring



Alm. Brand Liv og Pension



Alm. Brand Bank



Alm. Brand Leasing



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.

Satisfactory profit of DKK 145 million. Full-year guidance lifted by DKK 50 million to DKK 625-725 million.

Q2 PERFORMANCE

The Alm. Brand Group posted a pre-tax profit of DKK 145 million in Q2 2019, corresponding to a return on equity of 12.4% p.a. The performance was satisfactory and better than expected.

The profit reflected satisfactory performances in Non-life Insurance and Life Insurance. While the bank's overall profit was in line with expectations, the profit composition was not satisfactory.

Non-life Insurance

Non-life Insurance produced a pre-tax profit of DKK 122 million, against DKK 156 million in Q2 2018. The performance was satisfactory and better than expected.

The combined ratio was 89.9, supported by a low level of expenses for major and minor claims and by run-off gains. These were to some extent offset by increased building insurance claims expenses and a significantly lower discount rate.

Gross premiums totalled DKK 1,388 million, corresponding to an increase of 1.6% relative to Q2 2018, which was less than

expected. The private customer segment grew by 0.6%, while growth in the commercial customer segment was 2.6%. Customer retention remained high in both segments.

The Q2 expense ratio was 18.4, being affected by an accrual. The full-year expense ratio is still expected to be around 17.

The investment result was a loss of DKK 13 million, the underperformance being due to the hedging of technical provisions producing an overall negative return as a result of the lower VA premium in the second quarter of 2019.

Life Insurance

Life Insurance produced a pre-tax profit of DKK 21 million in Q2 2019, against DKK 25 million in Q2 2018. The satisfactory performance was in line with expectations. Total pension contributions amounted to DKK 392 million, which was satisfactory. Single payments represented DKK 220 million of this amount, against the exceptionally high level of DKK 277 million in Q2 2018.

Total portfolio premiums increased by 6.5% year on year. Accordingly, growth in pension payments measured up to the growth ambitions for the pensions area. The continued substantial influx of corporate pension schemes was growth-supportive.

The bonus rate was 13.7% at 30 June 2019, marking a decline of 2.5 percentage points relative to 31 March 2019. The decline was due to a substantial interest rate decline that translated into an extraordinary decline in the VA premium, which forms part of the discount curve. The bonus rate remained satisfactory, ensuring that Alm. Brand Pension may offer competitive rates on policyholders' savings.

Banking

The bank generated a total pre-tax profit of DKK 15 million in Q2 2019, against DKK 21 million in Q2 2018. The performance was supported by a high level of activity, among other things as a result of remortgaging and new customers in the bank's Financial Markets division, just as impairment writedown reversals and profit from Leasing and Other activities lifted the bank's profit. The performance was adversely affected by the very low interest rate environment, which put the interest margin under pressure, and earnings were also under pressure from the tough competition for customers. Moreover, ever-growing regulatory requirements

are driving up the bank's costs. While the bank's overall profit was in line with expectations, the profit composition was not satisfactory.

The bank generally experienced an increase in the level of activity. In Q2 2019, the number of Pluskunder (customers who have pooled all of their business with the bank) increased by 3%, and new lending grew substantially. The number of Pluskunder was up by 7% in the first six months of the year. However, the bank's net lending was largely unchanged due to the growing savings trend among customers and conversion of bank loans into mortgage loans.

At 30 June 2019, the Totalkredit portfolio amounted to DKK 16.2 billion, corresponding to an increase of 3%. Accordingly, the portfolio of Totalkredit mortgage loans once again grew considerably, and the strong activity in this area lifted the bank's performance.

Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The Q2 performance was a pre-tax loss of DKK 13 million, against a loss of DKK 15 million in the same period of 2018.

H1 PERFORMANCE

The group posted a consolidated pre-tax profit of DKK 370 million in H1 2019, as compared with a DKK 410 million profit in H1 2018. The performance equalled a return on equity of 15.7%, which was highly satisfactory and better than expected.

Non-life Insurance reported a profit of DKK 317 million and a combined ratio of 87.2. Life Insurance posted a profit of DKK 50 million, and Banking generated a profit of DKK 31 million.

CAPITALISATION

Alm. Brand's total capital relative to its capital target determines the potential for distribution to its shareholders. The distribution by the group is aligned with planned activities, including investments, special risks or a shortfall in earnings.

The distributable total capital of the group was DKK 5,252 million at 30 June 2019, corresponding to an excess of DKK 381 million relative to the group's capital target. The excess increased from DKK 161 million at 31 March 2019 mainly as a result of Q2 earnings and a reduction of the bank's market risk. In addition, the deduction for intangible assets related to the bank's customer relations was reduced by the tax effect.

Capitalisation

DKKm	H1 2019	FY 2018
Distributable total capital of the group	5,252	4,795
Internal capital target for the group	4,871	4,715
Excess relative to the capital target	381	80

MAJOR EVENTS

Annual general meeting of Alm. Brand A/S

Alm. Brand A/S held its annual general meeting on 29 April 2019. At the general meeting, the shareholders approved the proposed ordinary dividend of DKK 1.50 per share and the extraordinary dividend of DKK 1.50 per share. In addition, the shareholders approved a reduction of the company's share capital by 3,340,000 shares of DKK 10 each by cancellation of treasury shares. Following the reduction, the company's share capital amounts to DKK 1,577,000,000.

Launch of the group's share buyback programme

As announced on 27 February 2019, the company has launched a share buyback programme of up to DKK 200 million following approval by the Danish Financial Supervisory Authority. The association Alm. Brand af 1792 fmba participates propor-

tionately in the programme and will hence maintain its current ownership interest. The programme will be completed in accordance with the safe harbour rules. The share buyback programme is expected to run for the period from 30 April 2019 until the end of March 2020.

OUTLOOK

The guidance for the full-year profit for 2019 is raised by DKK 50 million to a consolidated profit of DKK 625-725 million. The upgrade is driven by the stronger-than-expected performance of Non-life Insurance.

Outlook

DKKm	2019
Expected consolidated profit/loss before tax	625-725
Non-life Insurance	600
Life Insurance	90
Banking	50-70
Other activities	-65

Non-life Insurance

The guidance for Non-life Insurance is lifted by DKK 50 million to a profit of around DKK 600 million before tax. The upgrade is primarily driven by realised run-off gains.

The outlook for the year does not include run-off gains or losses for the rest of 2019.

The guidance for the combined ratio is improved to about 89, while the guidance for the expense ratio is maintained at about 17.

The premium growth forecast for 2019 is revised to around 2% from previously 2-3%.

Life Insurance

The full-year guidance for Life Insurance is maintained at a pre-tax profit of DKK 90 million.

Regular premiums are expected to grow at a rate of 7-8%.

Banking

The guidance for Banking is maintained at a pre-tax profit of DKK 50-70 million including amortisation of customer relationships to the tune of DKK 30 million.

The outlook for net growth in retail lending is revised to 3-5% from previously 5-8%.

Other activities

The guidance for other business activities, comprising costs and interest related to the parent company, Alm. Brand A/S, is maintained at a loss of DKK 65 million before tax.

DISCLAIMER

The forecast is based on the interest rate and price levels that prevailed in mid-August 2019. 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. For a more detailed review of the risks facing the group, see note 46, Capital and risk management, and note 47, Significant accounting estimates, assumptions and uncertainties, in the 2018 Annual Report.

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.

Combined ratio

89

Expected combined ratio
in Non-life Insurance.

Growth in Life Insurance

7-8%

Expected growth in regular
premiums in Life Insurance.

Growth in lending

3-5%

Expected growth in lending to
retail customers.

Financial highlights and key ratios

	DKK m	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
GROUP	Income					
	Non-life Insurance	1,337	1,317	2,650	2,609	5,274
	Life Insurance	392	444	984	1,011	2,004
	Banking	205	381	405	546	954
	Investment etc.	102	91	196	222	376
	Total income	2,036	2,233	4,235	4,388	8,608
	Profit/loss					
	Non-life Insurance	122	156	317	355	652
	Life Insurance	21	25	50	51	104
	Banking	15	21	31	34	26
	Other activities	-13	-15	-28	-30	-58
	Profit/loss before tax	145	187	370	410	724
	Tax	-22	-43	-71	-87	-155
	Profit/loss after tax	123	144	299	323	569
	Total provisions for insurance contracts	23,552	21,814	23,552	21,814	21,626
	Consolidated shareholders' equity	4,534	4,605	4,534	4,605	4,748
	Total assets	41,993	39,065	41,993	39,065	39,025
	Average no. of employees	1,760	1,727	1,760	1,727	1,770
	Return on equity before tax (%)	12.4	11.8	15.7	14.9	15.2
	Return on equity after tax (%)	10.6	12.3	12.7	13.3	12.0

	DKK m	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
FINANCIAL RATIOS	Earnings per share	0.8	0.9	1.9	2.0	3.6
	Diluted earnings per share	0.8	0.9	1.9	2.0	3.6
	Net asset value per share	29	29	29	29	30
	Share price, end of period	57.7	62.7	57.7	62.7	49.3
	Price/NAV	2.00	2.18	2.00	2.18	1.65
	Average no. of shares (in thousands)	156,515	158,828	156,513	158,995	158,150
	No. of shares at end of period, diluted (in thousands)	156,815	159,896	156,815	159,896	157,955
	Average no. of shares, diluted (in thousands)	157,289	160,436	157,452	160,802	159,723
	Dividend per share	0.0	0.0	0.0	0.0	1.5
	Dividend per share, extraordinary	0.0	0.0	0.0	0.0	1.5
	No. of shares bought back (in thousands)	783	837	1,322	1,969	3,959
	Avg. price of shares bought back, DKK	59.1	64.8	57.3	68.2	63.6

Non-life Insurance

Satisfactory pre-tax profit of DKK 122 million.

Q2 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 122 million in Q2 2019, against a profit of DKK 156 million in Q2 2018. The performance was satisfactory and better than expected.

The technical result was DKK 135 million (2018: DKK 152 million), equivalent to a combined ratio of 89.9.

Relative to expectations, the result was favourably affected by slightly fewer expenses for major and minor claims as well as by run-off gains. These were to some extent offset by increased building insurance claims expenses and a significantly lower discount rate.

As compared with the year-earlier period, Q2 2019 saw considerably fewer expenses for major claims, but higher expenses for weather-related claims. The profit was adversely affected by a loss on investment activities of DKK 12 million in Q2 2019, against a gain of DKK 4 million in the year-earlier period.

Net of run-off gains, the combined ratio was 93.3 in Q2 2019, against the anticipated normal level of 91-92.

The Q2 2019 underlying combined ratio improved by about 0.7 of a percentage point year on year adjusted for the decline in the discount rate, which affected the combined ratio by close to 1 percentage point in the same period.

Premiums

Gross premiums amounted to DKK 1,337 million in Q2 2019, 1.6% more than in Q2 2018, which was below the expected level.

In particular, premium income was adversely affected by the level of interest rates, with negative discount rates impacting growth adversely by 0.2 of a percentage point.

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

The customer service centres have been focused on advising customers on their new digital products. In general, customers have responded favourably to the new products, which have been modernised, simplified and generally better aligned with what the customers demand. The new products allow the customers to use digital self-service options in future and to add or deselect covers depending on their current needs. Moreover, the new products support Alm. Brand's efforts to automate claims handling.

Claims experience

The claims experience for Q2 2019 was 71.5%, against 70.8% in Q2 2018. In spite of the increase, the claims experience was better than expected.

Compared with Q2 2018, the claims experience for 2019 to date was favourably affected by a lower level of expenses for minor and major claims. On the other hand, expenses for weather-related claims were higher than in Q2 2018. Net of run-off gains, the claims experience was 74.9%, which was 0.8 of a percentage point lower than in the same period of 2018, but slightly above the expected level. The interest rate decline affected the claims ratio by close to 1 percentage point, most of the effect being attributable to Q2 2019.

Weather-related claims

Weather-related claims net of reinsurance amounted to DKK 36 million, which was in line with expectations but higher than last year's exceptionally low figure. There were no severe weather events during most of the second quarter of 2019, but the first half of June was characterised by wind and thunder storms. In this connection, Alm. Brand recorded a large number of lightning claims, only a few of which resulted in major fire claims. Most of these were short-circuit and overvoltage claims occurring in electrical appliances, resulting in much cheaper claims. Weather-related claims affected the combined ratio by 2.7 percentage points in Q2 2019, which was in line with expectations for the quarter.

Combined ratio

	Q2 2019	Q2 2018	FY 2018
Combined ratio, underlying business	84.1	83.9	82.4
Weather-related claims, net of reinsurance	2.7	1.1	1.2
Major claims, net of reinsurance	6.8	8.8	7.3
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-3.4	-4.8	-3.7
Change in risk margin, run-off result and current year	-0.3	-0.6	-0.2
Combined ratio	89.9	88.4	87.0

Major claims

Major claims net of reinsurance amounted to DKK 91 million, which was DKK 25 million less than in the same period of 2018. In Q2 2019, expenses for major claims were lower than expected in spite of the number of claims being higher than expected. Major claims affected the combined ratio by 6.8 percentage points (8.8 percentage points in 2018), which was slightly better than the normal level of 7-8%.

Underlying business

The underlying claims ratio was 65.7%, which was slightly higher than anticipated, but better than in the same period of last year. The claims ratio was affected in particular by a general increase in commercial building claims expenses, with a particularly steep increase in concealed pipework claims.

Run-off result

The run-off result on claims net of reinsurance was a gain of DKK 45 million, against DKK 63 million in 2018. The Q2 2019 run-off result was mainly attributable to personal accident, motor and workers' compensation insurance. The year-on-year decrease in the run-off result was in line with expectations and was mainly due to lower workers' compensation run-offs.

Risk margin

The change in the overall risk margin lifted the Q2 performance by a net income of

DKK 4 million, equivalent to an 0.3 percentage point impact on the combined ratio. The amount is composed of a DKK 20 million income attributable to the run-off result and a DKK 16 million expense related to the building-up of risk margin on claims reported in Q2 2019. By comparison, the Q2 2018 result was affected by a net income of DKK 8 million, equivalent to 0.6 of a percentage point, which was made up of a DKK 24 million income attributable to the run-off result and a DKK 16 million expense related to claims reported in 2018.

Costs

Total costs amounted to DKK 245 million in Q2 2019, equivalent to an expense ratio of 18.4. The Q2 cost level was in line with expectations.

The FY 2019 expense ratio is still expected to be around 17.

Net reinsurance ratio

The net reinsurance ratio was 4.6 in Q2 2019, against 4.9 in the same period of 2018. The lower net expense in 2018 was mainly due to the fact that a major fire claim reported in Q1 2018 was revised upward in Q2 2018, which increased the reinsurance coverage.

Discounting

From 30 June 2018 to 30 June 2019, the yield curve, which is used for discounting, fell significantly by approximately 0.4 of a percentage point at the short end,

while the 10-year yield declined by about 1.0 percentage point. Technical provisions are affected the most by the short-term yield due to the composition of expected premium payments and claims payouts. Overall, interest rate developments in Q2 2019 increased the combined ratio by close to 1 percentage point relative to the same period of 2018.

PRIVATE

The technical result was a profit of DKK 71 million in Q2 2019 (Q2 2018: DKK 46 million profit).

The combined ratio was 89.5, which was somewhat better than expected and 3.5 percentage points below the year-earlier level. Relative to expectations, the result was favourably affected by fewer major claims, a strong claims experience on, among other things, household comprehensive, personal accident and motor insurance and by run-off gains.

Premium income was DKK 672 million in Q2 2019, an increase of 0.6% relative to Q2 2018, which was below the expected level and affected by the declining, negative interest rate level.

The customer retention rate remained at a high level.

The claims experience excluding run-off gains on claims was 69.3% (Q2 2018: 73.0%).

Private

DKKm	Q2 2019	Q2 2018	FY 2018
Gross premium income	672	668	2,670
Gross claims expenses	-450	-472	-1,771
Insurance operating expenses	-136	-134	-514
Profit/loss on reinsurance	-15	-16	-51
Technical result	71	46	334
Run-off result, claims	21	9	95
Run-off result, risk margin	7	8	30
Gross claims ratio	67.0	70.7	66.3
Net reinsurance ratio	2.3	2.3	1.9
Claims experience	69.3	73.0	68.2
Gross expense ratio	20.2	20.0	19.3
Combined ratio	89.5	93.0	87.5

Expenses for weather-related claims totalled DKK 12 million net of reinsurance (Q2 2018: DKK 5 million), affecting the combined ratio by 1.9 percentage points, which was in line with expectations. As a result of the many lightning claims reported at the beginning of June, the number of weather-related claims was somewhat higher than anticipated, but, as mentioned above, Q2 weather-related claims expenses were in line with expectations.

Major claims expenses totalled DKK 15 million net of reinsurance, against DKK 31 million in Q2 2018, impacting the combined ratio by 2.2 percentage points (Q2 2018: 4.6 percentage points), and was hence lower than in the year-earlier period. Expenses were also lower as compared with the expected level.

The underlying claims ratio was 68.4 in Q2 2019, against 69.2 in the year-earlier period, which was slightly better than expected, being favourably affected in particular by a lower level of claims expenses in personal insurance lines and on contents insurance.

The expense ratio was 20.2 in Q2 2019, which was slightly better than expected. The relatively high level was the result of investments in growth and digitalisation.

Run-off gains on claims net of reinsurance amounted to DKK 21 million in Q2 2019 (Q2 2018: DKK 9 million). The 2019 performance was composed of both run-off gains and minor run-off losses, the gains being primarily attributable to personal accident and motor insurance. On the other hand, the change in the overall risk margin affected the run-off result by a net expense of DKK 1 million in Q2 2019 (Q2 2018: DKK 2 million).

COMMERCIAL

The technical result amounted to a profit of DKK 64 million in Q2 2019, against a profit of DKK 106 million in the year-earlier

period. The lower result was mainly due to the lower level of run-off gains in Q2 2019 compared with Q2 2018, which was in line with expectations.

The combined ratio was 90.4, which was satisfactory in terms of expectations. The result was favourably affected by a lower level of expenses for major and minor claims as well as by run-off gains, but was adversely affected by the very low interest rate environment.

Premium income grew by DKK 17 million to DKK 666 million, equivalent to an increase of 2.6%, which was slightly less than expected, being affected by the declining, negative interest rate level.

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

The commercial customer market is extremely competitive. The newly introduced workers' compensation insurance product, offering new cover options in addition to the compulsory covers, was well received by the market.

The claims experience excluding run-off gains on claims was 77.5% (Q2 2018: 76.9%).

Weather-related claims totalled DKK 24 million net of reinsurance (Q2 2018: DKK 9 million), which affected the combined ratio by 3.6 percentage points, against 1.3 percentage points in Q2 2018.

Commercial

DKKm	Q2 2019	Q2 2018	FY 2018
Gross premium income	665	649	2,604
Gross claims expenses	-445	-395	-1,665
Insurance operating expenses	-109	-99	-394
Profit/loss on reinsurance	-47	-49	-194
Technical result	64	106	351
Run-off result, claims	24	54	101
Run-off result, risk margin	13	16	42
Gross claims ratio	66.8	60.9	64.0
Net reinsurance ratio	7.1	7.6	7.4
Claims experience	73.9	68.5	71.4
Gross expense ratio	16.5	15.2	15.1
Combined ratio	90.4	83.7	86.5

As a result of the many lightning claims reported at the beginning of June, the number of weather-related claims was somewhat higher than anticipated, but, as mentioned above, Q2 weather-related claims expenses were only slightly higher than anticipated.

Major claims totalled DKK 76 million net of reinsurance (Q2 2018: DKK 86 million) and impacted the combined ratio by 11.4 percentage points, against 13.2 percentage points in 2018. Although the number of

major claims exceeded expectations in Q2 2019, total expenses for major claims were below the expected level. None of the major claims reported were large enough to trigger compensation under the reinsurance covers.

The underlying claims ratio was 63.1 percentage points, which was on a par with the Q2 2018 level. The claims ratio was favourably affected by slightly fewer contents and motor insurance claims in commercial customer lines, but was adversely affected by a general increase in building insurance claims expenses, with a particularly steep increase in concealed pipework claims. In order to improve the profitability of selected building insurances, Alm. Brand in Q2 2019 continued to tighten the terms for residential building insurance by introducing higher premiums and higher deductibles. The profitability-enhancing measures are expected to continue throughout the year.

The net reinsurance ratio was 7.1 in Q2 2019, against 7.6 in Q2 2018.

The expense ratio was 16.5 in Q2 2019, or 1.3 percentage points higher than in Q2 2018, which was slightly more than expected.

Run-off gains on claims net of reinsurance amounted to DKK 24 million in Q2 2019 (Q2 2018: DKK 54 million). The 2019 run-off result was to a large extent attributable to gains on workers' compensation insurance.

However, the lower run-off result relative to 2018 was mainly due to the fact that run-off gains on workers' compensation, as expected, were lower in 2019 than in 2018. In addition, the change in the overall risk margin contributed a net income of DKK 4 million in Q2 2019, against a net income of DKK 6 million in Q2 2018.

INVESTMENT RESULT

The investment result was a loss of DKK 13 million in Q2 2019, against a gain of DKK 4 million in the year-earlier period.

The investment return for Q2 2019 was favourably affected by the general upward trend in global equity markets, while bonds produced a neutral return.

The interest on technical provisions is calculated using the EIOPA discount curve plus a volatility adjustment (the "VA premium"). Overall, the hedging of provisions produced a negative return due to the lower VA premium in Q2 2019.

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

HI PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 317 million in H1 2019, as compared with a DKK 355 million profit in H1 2018, which was highly satisfactory.

The technical result was a profit of DKK 340 million (H1 2018: DKK 366 million), equivalent to a combined ratio of 87.2 (H1 2018: 86.0). The performance was favourably affected by fewer-than-expected expenses for major claims, while expenses for weather-related claims and minor claims were slightly above the expected level.

As compared with H1 2018, the performance was lifted by a significantly lower level of major claims expenses, but adversely affected by a higher level of expenses for weather-related and minor claims and by fewer run-off gains.

Premium income amounted to DKK 2,650 million in H1, against DKK 2,609 million in the year-earlier period. This year-on-year increase of 1.6% was slightly below the expected level. Weaker growth was recorded in the private customer segment in particular.

Weather-related claims were DKK 65 million net of reinsurance, against DKK 25 million in H1 2018. The H1 performance was favourably affected by a mild winter and a significantly lower-than-expected level of expenses for windstorms and cloudbursts, but the performance was also impacted by an unusually large number of lightning claims in June. Overall, the number of weather-related claims reported in the first six months was slightly lower than anticipated at the beginning of the year. Weather-related claims affected the combined ratio by 2.4 percentage points (Q2 2018: 1.0 percentage point).

Investment return

DKKm	Q2 2019			Q2 2018		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	8,969	61	0.7%	8,546	9	0.1%
Mortgage deeds etc.	883	3	0.3%	1,021	1	0.1%
Equities	217	6	3.8%	198	9	4.5%
Properties	13	0	1.8%	13	0	2.4%
Total return on investments	10,082	70	0.7%	9,778	19	0.2%
Administrative expenses related to investment activities		-7			-6	
Capital gains related to the discounting of technical provisions		-86			-7	
Interest on technical provisions		10			-2	
Net investment return		-13			4	

Combined ratio

	H1 2019	H1 2018	FY 2018
Combined ratio, underlying business	83.3	83.0	82.5
Weather-related claims, net of reinsurance	2.4	1.0	1.2
Major claims, net of reinsurance	4.6	6.9	7.3
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-3.1	-4.6	-3.7
Change in risk margin, run-off result and current year	0.0	-0.3	-0.2
Combined ratio	87.2	86.0	87.0

Major claims totalled DKK 122 million in H1 2019, against DKK 180 million in H1 2018. Expenses for major claims were somewhat below the expected level in H1 2019, in particular due to lower average payouts, while the number of major claims reported in H1 2019 was in line with expectations. Overall, major claims expenses affected the combined ratio by 4.6 percentage points (H1 2018: 6.9 percentage points), which was somewhat better than the expected range of 7-8 percentage points.

The combined ratio of the underlying business was 83.3 in H1 2019, against 83.0 in H1 2018. The first six months of 2019 were affected by a significant interest rate decline relative to the year-earlier period, particularly in the short-term discount rate, which increased the underlying combined ratio by 1.0 percentage point. In addition, the underlying combined ratio was affected by a general increase in building insurance claims expenses.

The run-off result on claims net of re-insurance was a gain of DKK 83 million, against DKK 121 million in 2018. The 2019 run-off result was mainly attributable to personal accident and motor insurance in Private lines and to workers' compensation insurance in Commercial lines. As expected, the level of run-off gains was generally lower than in previous years.

The change in the overall risk margin contributed a break-even result in H1 2019, against a net income of DKK 7 million in H1 2018.

The expense ratio was 18.2 in H1 2019, against 17.7 in the same period of 2018, which was in line with expectations.

The investment result after interest on technical provisions was a loss of DKK 23 million in H1 2019, against a loss of DKK 11 million in the year-earlier period. The 2019 investment result should be seen in light of current market conditions, with the equity markets contributing large gains and interest rates decreasing sharply. The change in the calculation of the VA premium had an adverse impact on the result, both in terms of the transition from the previous calculation method (DKK 25 million) and in terms of the development of the VA premium throughout H1 2019.

CAPITALISATION

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 995 million at 30 June 2019, against DKK 1,016 million at 30 June 2018.

The total capital for coverage of the solvency capital requirement was DKK 3,218 million, meaning that the company had an excess cover of DKK 2,223 million relative to the solvency capital requirement.

At 30 June 2019, shareholders' equity allocated to Non-life Insurance was DKK 2,237 million.

OTHER EVENTS

Price reduction on cyber insurance

Alm. Brand has lowered the price of its cyber insurance product. The product is still rated as the best product on the market for the large SME segment, which represents the vast majority of Danish businesses. The need for this type of insurance is still seen to be substantial and indeed greater than what is reflected by the market today.

Insurance coverage in the event of NBCR terrorist attacks

Over the course of June, Alm. Brand sent letters to most of its insurance customers to inform them that after 1 July 2019 they will be covered by a national insurance scheme similar to the Storm Surge Scheme in the event of terrorism claims resulting from the use of nuclear, biological, chemical or radioactive weapons. The change is a consequence of the new act on a terrorism insurance scheme in the non-life insurance area, which was adopted by the Danish parliament in April 2019.

New partnership on weather text alerts

Alm. Brand has entered into a partnership with Danish national television broadcaster TV2 on weather text alerts in connection with severe and dangerous weather conditions such as windstorms, cloudbursts and thunderstorms. Alm. Brand has been sending out such messages for some time as part of its claims prevention activities. The new partnership is intended to ensure that Alm. Brand is able to offer more precise alerts to customers individually.

Non-life Insurance

	DKKkm	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018		DKKkm	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
INCOME STATEMENT	Gross premium income	1,337	1,317	2,650	2,609	5,274	BALANCE SHEET	Run-off result, claims	45	63	83	121	196
	Claims expenses	-895	-867	-1,704	-1,654	-3,436		Run-off result, risk margin	20	24	35	45	72
	Insurance operating expenses	-245	-233	-481	-461	-908		Technical provisions	7,851	7,650	7,851	7,650	7,147
	Profit/loss on reinsurance	-62	-65	-125	-128	-245		Insurance assets	132	101	132	101	148
	Technical result	135	152	340	366	685		Shareholders' equity	2,237	2,168	2,237	2,168	2,400
	Interest and dividends, etc.	35	34	68	76	146	FINANCIAL RATIOS	Total assets	10,892	10,507	10,892	10,507	10,553
	Capital gains	35	-15	116	-71	-155		Gross claims ratio	66.9	65.9	64.3	63.4	65.2
	Administrative expenses related to investment activities	-7	-6	-13	-13	-27		Net reinsurance ratio	4.6	4.9	4.7	4.9	4.6
	Return on and value adjustment of technical provisions	-76	-9	-194	-3	3		Claims experience	71.5	70.8	69.0	68.3	69.8
	Investment return after return on and value adjustment of provisions	-13	4	-23	-11	-33		Gross expense ratio	18.4	17.6	18.2	17.7	17.2
	Profit/loss before tax	122	156	317	355	652		Combined ratio	89.9	88.4	87.2	86.0	87.0
	Tax	-27	-34	-71	-75	-139		Combined ratio excluding run-off result *)	93.3	93.2	90.3	90.6	90.7
	Profit/loss after tax	95	122	246	280	513		Return on equity before tax (%)	21.3	26.8	26.7	30.5	28.4
								Return on equity after tax (%)	16.5	20.9	20.7	24.1	22.3

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

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

Life Insurance

Satisfactory pre-tax profit of DKK 21 million and continued growth in regular payments.

Q2 PERFORMANCE

Alm. Brand Liv og Pension A/S reported a satisfactory pre-tax profit for Q2 2019 of DKK 21 million (Q2 2018: DKK 25 million), which was in line with expectations. Growth in regular premiums continued in line with the company's strategic goals.

The profit was composed as follows:

- Expense and risk result of DKK 11 million
- Interest rate result of DKK 7 million
- Profit of DKK 3 million from the group life insurance business
- Profit of DKK 1 million from life annuities without bonus entitlement
- Negative return on investment allocated to equity of DKK 1 million

The bonus rate was 13.7% at 30 June 2019, marking a decline of 2.5 percentage points relative to 31 March 2019. The decline was due to a substantial interest rate decline that translated into an exceptional decline in the so-called VA premium, which forms part of the discount curve. The bonus rate remained satisfactory, ensuring that Alm. Brand Pension may continue to offer competitive rates on policyholders' savings.

Measured in terms of the volume of customer funds, AUM (assets under management) increased to DKK 15.7 billion at 30 June 2019, marking a year-on-year increase of 10.8%.

Pension contributions

Payments into guaranteed schemes

Premiums totalled DKK 392 million in Q2 2019, against DKK 444 million in the year-earlier period. Single payments represented DKK 220 million of this amount, against the exceptionally high level of DKK 277 million in Q2 2018. Measured against the Q2 2017 level, growth in single payments represented 35%.

Regular premiums increased by 2.8%. At 30 June 2019, the portfolio premium was 6.5% higher than at the year-earlier date. The corporate customer segment remains the company's primary growth driver.

The fair growth in the corporate customer segment in particular should be seen in light of several strategic initiatives which have contributed to supporting developments. These include easier access

for customers through digitalisation and simplification of the underwriting process. Moreover, the company has adjusted prices on selected products with a view to improving its competitive strength.

Growth was thus highly satisfactory and in line with the group's ambition to grow its pension business.

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

Benefits paid

Total benefits paid amounted to DKK 243 million in Q2 2018, compared with DKK 224 million in the same period of 2018. The 2019 performance was affected by the cessation of a single major customer. Net of this effect, benefits paid were on a par with Q2 2018, reflecting continued strong customer loyalty.

Risk result

Net of reinsurance, the risk result, which expresses the difference between premiums charged and actual claims expenses

paid, was an income of DKK 9 million in Q2 2019, marking a DKK 7 million decrease relative to Q2 2018. This was primarily due to a slightly lower mortality risk result. The risk result is still among the best in the industry.

Costs

Acquisition costs and administrative expenses totalled DKK 25 million in Q2 2019, which was on a par with Q2 2018 and slightly below expectations. The fact that costs have remained stable in spite of the company's decent growth in recent years is highly satisfactory.

Expense result

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 2 million. The expense result improved relative to the year-earlier period, driven among other things by growth in the portfolio. 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 return on investment assets belonging to policyholders (before pension returns tax) was DKK 347 million for Q2 2019, corresponding to a return of 2.2% (9.0% p.a.), against a return of DKK 103 million in Q2 2018. Investment assets, which amounted to DKK 15.8 billion at 30 June 2019, are placed in bonds, equities and property.

The return on policyholders' investment assets was favourably affected by equity markets, which, in spite of the escalating trade war, continued to increase, supported by sustained global economic recovery. Although bonds in general generated a positive return driven by lower interest rates, credit bonds and emerging markets detracted from performance. The higher US interest rates and a strengthened US dollar combined with country-specific economic challenges to produce a neg-

ative return on emerging markets in the second quarter. The property portfolio generated a return of 1.3% in Q2 (5.4% p.a.).

Life insurance provisions

Total life insurance provisions increased by DKK 445 million to DKK 15.3 billion in Q2 2019. The increase was attributable to both the strong investment result and the decent net inflow of pension funds during the period as well as to the development of the discount rate.

Profit margin

The profit margin declined by DKK 54 million in Q2 2019 to total DKK 412 million, equivalent to the level at the beginning of the year. The Q2 decline was due to a calculation adjustment made to better reflect the very low interest rate environment.

Bonus rate

The total bonus rate was 13.7% at 30 June 2019, a decline of 2.5 percentage points relative to 31 March 2019. The bonus rate remained satisfactory considering the very low interest rate environment. Due to financial market developments in Q3 2019, the total bonus rate was still at a satisfactory level above 10% at mid-August.

New policyholders are placed in interest rate group 0, which had a bonus rate of 14.1% at 30 June 2019.

In interest rate groups 2 and 3, comprising customers with the highest guarantees, the bonus rate was around 11% at 30 June 2019, which was satisfactory. These groups continue to pursue a prudent investment strategy based on a substantial share of

bonds and financial instruments intended to strike a healthy balance between the groups' investments and liabilities.

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

Investment return

	Investment assets	Return Q2	Return p.a.
DKKbn			
Bonds	11,860	2.3%	9.0%
Equities	2,412	2.8%	11.3%
Properties	1,481	1.3%	5.4%
Total	15,753	2.2%	9.0%

	U74*	Interest rate group 0	Interest rate group 1	Interest rate group 2	Interest rate group 3	Total
Technical rate of interest (% p.a.)		0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Rate on policyholders' savings (% p.a.)		3.50	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	11.5	1.0	1.1	2.2	15.8
Bonus rate (%)		14.1	16.1	10.8	10.9	13.7
Return (% YTD annualised)	7.0	15.7	13.2	10.0	13.3	14.7
Distribution of investment assets (%):						
Bonds	100	72	73	85	87	75
Equities	0	18	18	7	7	15
Properties	0	10	9	8	6	10

*Portfolios without bonus entitlement

H1 PERFORMANCE

Life Insurance posted a pre-tax profit of DKK 50 million in H1 2019, which was on a par with the year-earlier period. The performance was satisfactory.

The profit was composed as follows:

- Expense and risk result of DKK 24 million
- Interest rate result of DKK 14 million
- Profit of DKK 6 million from the group life insurance business
- Profit of DKK 5 million from life annuities without bonus entitlement
- Negative return on investment allocated to equity of DKK 1 million

Total contributions remained almost on a par with the exceptionally strong performance in 2018. Accordingly, total contributions only declined by 2.6% to DKK 984 million from H1 2018 to H1 2019. Regular payments were up by 3.6%, while single payments decreased by 6.6%.

Benefits paid amounted to DKK 523 million, against DKK 552 million in H1 2018, reflecting a continued build-up of customer loyalty. The 2019 risk result was DKK 18 million, which was less than expected.

Insurance operating expenses amounted to DKK 51 million, marking a minor

increase of DKK 2 million relative to the year-earlier period. The expense result was a profit of DKK 6 million in H1 2019, which was a slight improvement on H1 2018 driven by portfolio growth.

The investment return on policyholders' funds was DKK 1,018 million (before pension returns tax), corresponding to 7.1% (14.6% p.a.), and was favourably affected by the decline in interest rates as well as by favourable equity market developments.

The technical result was DKK 49 million in H1 2019, against DKK 53 million in H1 2018.

CONTRIBUTIONS TO BANK PENSION SCHEMES

In addition to making payments into Alm. Brand Pension, customers have the option of making contributions to pension schemes with the bank. Total payments into schemes with the bank amounted to DKK 618 million in H1 2019 (H1 2018: DKK 529 million).

Total pension assets related to pension schemes with the bank amounted to DKK 7.4 billion at 30 June 2019, which was a year-to-date increase of DKK 0.5 billion.

CAPITALISATION

The solvency capital requirement of Alm. Brand Liv og Pension A/S amounted to DKK 143 million at 30 June 2019, against DKK 142 million at the year-earlier date.

The total capital for coverage of the solvency capital requirement was DKK 1,036 million at 30 June 2019, an excess cover of DKK 893 million relative to the solvency capital requirement. The company's solvency capital requirement is quite low as a result of the decent bonus potentials at 30 June 2019.

Equity allocated to Life Insurance was DKK 591 million at 30 June 2019.

OTHER EVENTS

First digital self-service solution for the Partner segment

In Q1 2019, Alm. Brand Pension launched its first digital self-service solution specifically targeting the Partner segment. This end-to-end digital solution allows customers to purchase cover on death and supplementary covers against provision of health information.

Digitalisation is a key component of Alm. Brand's strategy, and the new digital self-service solution makes it easy and flexible to be a customer of Alm. Brand

Pension. Digitalisation of the underlying processes and business procedures also allows for more efficient customer processing and frees up resources to provide personalised customer advisory services. Based on the experience gained from this, Alm. Brand Pension will in the upcoming period explore the possibilities of developing similar solutions for other of the company's products.

Increased efforts to counter fraud

Alm. Brand Pension is experiencing an increase in attempted fraud involving cover for loss of earning capacity. To protect the company's honest customers, Alm. Brand Pension has increased its efforts to counter this type of fraud. The activities launched to identify and expose specific cases of fraud have been very successful. The company takes great care when selecting and dealing with the relevant cases so as to ensure that the unfortunate trend of increased fraud will not make it more difficult to be awarded payouts on loss of earning capacity insurance when warranted and to avoid customers feeling impugned.

Life Insurance

	DKKm	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
INCOME STATEMENT	Premiums	392	444	984	1,011	2,004
	Investment return after allocation of interest	289	96	862	42	-41
	Benefits paid	-243	-224	-523	-552	-1,030
	Total insurance operating expenses	-25	-24	-51	-49	-99
	Result of ceded business	0	1	-1	0	-4
	Change in life insurance provisions	-445	-257	-1,236	-372	-687
	Change in profit margin	54	-11	14	-27	-35
	Technical result	22	25	49	53	108
	Return on investment allocated to equity	-1	0	1	-2	-4
	Profit/loss before tax	21	25	50	51	104
	Tax	3	-5	-3	-11	-25
	Profit/loss after tax	24	20	47	40	79
Return requirement for shareholders' equity						
	Return on investment allocated to equity	-1	0	1	-2	-4
	Result of portfolios without bonus entitlement	1	0	5	0	1
	Gruppeliv	3	2	6	4	10
	Interest result	7	6	14	13	27
	Expense result	2	1	6	4	8
	Risk result	9	16	18	32	62
	Profit/loss before tax	21	25	50	51	104

	DKKm	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
BALANCE SHEET	Total provisions for insurance contracts	15,701	14,165	15,701	14,165	14,479
	Total shareholders' equity	591	595	591	595	634
	Total assets	16,856	14,875	16,856	14,875	15,927
FINANCIAL RATIOS	Return on equity before tax (%)	13.5	14.3	15.9	14.7	16.0
	Return on equity after tax (%)	16.0	11.2	15.0	11.5	12.2
	Bonus rate (%)	13.7	21.7	13.7	21.7	18.6

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

Banking

Strong inflow of new Pluskunder and performance in line with expectations.

Q2 PERFORMANCE

The bank posted a pre-tax profit of DKK 15 million in Q2 2019, against DKK 21 million in Q2 2018, which was in line with expectations, although the profit composition was not satisfactory. The bank continued to record a favourable and satisfactory customer inflow. The number of Pluskunder increased by 3% relative to 31 March 2019, and more than half of the new customers were referred to the bank from the group's other business areas. The number of Pluskunder was up by 7% in the first six months of the year.

In addition, Financial Markets is experiencing a very high level of activity, partly due to customers remortgaging and partly due to many new customers and customers taking a greater interest in investing.

Income

The bank's income amounted to DKK 174 million in Q2 2019, which was on a par with Q2 2018.

Net interest and fee income for Q2 2019 amounted to DKK 88 million, which – in spite of the inflow of new customers – was on a par with the same period of last year. Income was adversely affected by the low interest rate level and by the extremely tough competition for banking customers, which is putting both interest

and fee income and the interest margin under pressure. The bank is in the process of adjusting prices to current market conditions, which overall is expected to have a favourable effect on income.

Trading income from Financial Markets amounted to DKK 50 million in Q2 2019, against DKK 36 million in Q2 2018, which was better than expected. A number of the bank's customers have remortgaged, resulting in considerable mortgage bond trading. In addition, Financial Markets generally experienced increased customer interest in credit and mortgage bond trading, and the number of customers continued to grow.

Leasing reported net income of DKK 19 million in Q2 2019, which was on a par with Q2 2018 and in line with expectations.

Other income amounted to DKK 17 million, against DKK 30 million in Q2 2018, and was affected by a non-recurring income of DKK 12 million attributable to a capital gain on a single shareholding. In Q2 2018, other income was affected by a non-recurring income of DKK 24 million from the acquisition of the Saxo Privatbank activities.

Costs

Costs amounted to DKK 159 million in Q2 2019, against DKK 163 million in Q2 2018.

In spite of efficiency enhancements and synergies from the acquisition of the Saxo Privatbank activities, the bank's income level remained high, in particular due to the constantly increasing regulatory requirements as regards compliance and anti-money laundering activities. The bank has invested substantially in more resources and systems to ensure compliance with regulatory requirements, and the bank's data centre, Bankdata, increasingly needs to upgrade and develop its systems in order to support the member banks in handling these tasks.

In addition, the bank has faced increased costs for growth and digitalisation of a number of functions and processes, including completion of the development of the Alm. Brand Trader platform.

Costs are expected to be lower in the second half of 2019 than in the first half.

Investment portfolio earnings

Investment portfolio earnings amounted to a loss of DKK 12 million in Q2 2019, against a loss of DKK 7 million in Q2 2018. The adverse investment portfolio earnings performance was due to the sustained low level of interest rates as well as to the bank's increasing deposit surplus.

Impairment writedowns

The bank made a DKK 20 million reversal of impairment writedowns in Q2 2019, against DKK 25 million in Q2 2018. The reversed impairment writedowns were due mainly to repayment of a number of lending exposures previously subject to impairment and also to the favourable economic conditions. DKK 6 million of the reversed impairment writedowns related to net interest and fee income from loans written down.

Impairment writedowns

DKKm	Q2 2019	Q2 2018
Loans and advances		
Private	7	9
Commercial	4	16
Agriculture	13	10
Loan impairment charges	24	35
Mortgage deed option agreement ^{a)}	-4	-10
Total impairment writedowns (income)	20	25

^{a)} The impairment writedowns include credit-related value adjustments of mortgage deeds

Business volume

Retail

The bank continued to record satisfactory customer inflows in Q2 2019, seeing the number of Pluskunder increase by 3%. The number of Pluskunder was up by 7% in the first six months of the year. More than half of the new customers were referred from the group's other business areas and have high credit quality.

The strategic investments in more efficient and value-creating processes are still having a favourable effect on customer inflows. The bank's customer advisers have been divided into new sales and portfolio teams to ensure a focused and specialised approach to customer needs. Moreover, due to the Alm. Brand Group's full-service adviser concept of assisting individual customers with all of their financial needs across the group's business areas, the bank is experiencing growing customer referrals from the group's other business areas, Non-life Insurance and Life Insurance.

The growing customer inflow has significantly increased the bank's new lending volumes. However, this is offset by the favourable economic conditions and the generally high propensity to save up in society, which also means that the bank's customers are saving more than previously. As a result, bank loans are repaid faster than expected, and appreciating house prices result in substantial conversions of bank loans into mortgage loans. The

bank's customer advisers are continuously working to ensure that customers have the product composition most optimal for them. The sustained favourable economic conditions and very low interest rates give rise to strong activity among the bank's customer advisers to help the customers review their finances.

Alm. Brand Bank is consistently working to develop best-in-class products. In Q2 2019, the bank launched Denmark's best car loan, offering the market's the lowest annual percentage rate (APR). The new product has already been very well received by customers.

The sustained very low and further declining level of interest rates triggered a new remortgaging wave in Q2 2019, and a potentially very large remortgaging wave is in store for Q3 2019. The portfolio of Totalkredit loans grew by DKK 0.5 billion or 3% in Q2 2019 to a total of DKK 16.2 billion. The portfolio increased by DKK 1.4 billion year on year. The volume of new and existing customers remortgaging their loans was significant. The currently very high level of activity had a positive effect on the bank's income.

Leasing

The Leasing portfolio stood at DKK 936 million at 30 June 2019, distributed on 8,100 cars, which was unchanged from 30 June 2018. Like the lending market, the leasing market is still fiercely competitive.

The market for private customer leasing is still significantly below the record-high levels of prior years, but interest in financing cars through private customer leasing solutions is growing. Consumer behaviour changed markedly following a number of tax changes in 2018, resulting in customers to a greatly reduced extent opting for a lease solution. However, the private customer leasing market grew by 38% from H1 2018 to H1 2019, meaning that one in every five new private cars was financed through private leasing. Alm. Brand Leasing is Denmark's fourth largest provider of private car leases.

Having been stagnant in 2018, the commercial customer leasing market grew again in the first half of 2019. Last year and in the first half of 2019, Alm. Brand Leasing increased its market share of commercially leased cars and now has a share of 5% of the commercial customer leasing market. The company reported a satisfactory inflow of new customers and an increase in orders for both passenger cars and commercial vehicles. Against this background, the bank expects to see continued growth in commercial leasing throughout 2019.

Credit exposure after writedowns

DKK m	Portfolio share in %	30 June 2019	31 March 2019	31 December 2018
Loans and advances				
Private	67%	3,815	3,801	3,745
Commercial	15%	877	880	942
Agriculture	2%	103	122	118
Total loans and advances	84%	4,795	4,803	4,805
Mortgage deed option agreement	16%	888	908	941
Reverse transactions and intra-group transactions	0%	5	256	150
Total credit exposure	100%	5,688	5,967	5,896

Agriculture

Among the bank's agricultural customers, pig breeders are still experiencing rising settlement prices. Due to the dry summer of 2018, crop yields were significantly below normal, and farmers had to buy feeding stuff for their animals. The rising prices in 2019 were therefore much needed. At 30 June 2019, gross lending in the agricultural portfolio was DKK 495 million, with net lending at DKK 103 million, marking a significant reduction of the portfolio.

Financial Markets

Financial Markets recorded a very high level of activity in Q2 2019, driven partly by customer remortgaging and partly by customer inflows and customers taking a greater interest in investing. Accordingly, Financial Markets is continuing to see strong growth in passive asset management mandates, with the ETF product IndexPlus in particular experiencing growth in new funds of more than 20%. The bank's activities targeting high net worth clients are also beginning to have an effect, and the overall advisory approach to this customer group is resulting in many new customers contributing a greater business volume than previously experi-

enced. Moreover, Alm. Brand's method of addressing customer needs across Private Banking, Alm. Brand Trader and Asset Management at the same time has made a very significant and positive difference for customers. The bank's ethical profile is also very important to the establishment of new customer relationships.

Deposits

The bank had deposits of DKK 11.1 billion at 30 June 2019, against DKK 10.8 billion at 30 June 2018. The increase was attributable to the inflow of new customers.

The bank has a substantial deposit surplus of DKK 6.3 billion, which based on the current interest rate level and investment in certificates of deposit means a loss for the bank of approximately DKK 25 million annually.

H1 PERFORMANCE

The bank generated a total pre-tax profit of DKK 31 million in H1 2019 (H1 2018: DKK 34 million profit).

The activities acquired from Saxo Privatbank were recognised in the financial statements effective from 1 April 2018.

Net interest and fee income for H1 2019 amounted to DKK 176 million, against DKK 155 million for the year-earlier period. This trend was strongly affected by the low level of interest rates and generally low borrowing requirements. Trading income amounted to DKK 98 million, against DKK 69 million in the same period of last year. This increase was driven by a high level of activity and a larger number of customers proactively choosing Alm. Brand based on its broad product offering.

Leasing reported income of DKK 40 million, against DKK 38 million in the same period of last year. Privat customer leasing is under pressure, but this trend is being offset by the growth recorded in commercial customer leasing.

Other income amounted to DKK 22 million, against DKK 35 million in H1 2018, DKK 24 million of which was non-recurring income related to the acquisition of the majority of Saxo Privatbank's activities.

Costs totalled DKK 310 million, against DKK 285 million in the same period of last year. In spite of efficiency enhancements and synergies from the acquisition of

the Saxo Privatbank activities, the bank's income level remained high, in particular due to the constantly increasing regulatory requirements as regards compliance and anti-money laundering activities. In addition, the bank has faced increased costs for growth and digitalisation purposes. Costs are expected to be lower in the second half of 2019 than in the first half.

Investment portfolio earnings amounted to a loss of DKK 19 million in H1 2019, compared with a loss of DKK 15 million in H1 2018. The performance, which was not satisfactory, was attributable to the lower level of interest rates and the bank's excess liquidity.

Impairment writedowns were a reversal of DKK 40 million, DKK 11 million of which was interest on loans already written down. In H1 2018, impairment writedowns were a reversal of DKK 45 million.

Liquidity

At 30 June 2019, the liquidity coverage ratio (LCR) was 516%.

Capitalisation

At 30 June 2019, the bank's total capital stood at DKK 1.9 billion, and the total capital ratio for the banking group was 20.5%.

Capitalisation

DKKkm	Parent company	Group
Total capital	1,959	1,945
Risk exposure amount	8,933	9,464
Total capital ratio	21.9	20.5
Tier 1 capital ratio	20.0	18.7
Individual solvency need (%)	11.3	11.3
Excess cover (%)	10.6	9.2

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 1,832 million at 30 June 2019, against DKK 2,280 million at 30 June 2018. The capital reservation equalled 26% of the credit exposure.

OTHER EVENTS

Insourcing of mortgage bond trading

At the beginning of Q2 2019, Alm. Brand insourced the flow of mortgage bond trading in connection with remortgaging and the raising of new mortgage loans by customers. This task was previously undertaken by the bank's business partner Totalkredit, but now Alm. Brand takes the position as internal price provider and trade directly in the bonds itself.

Denmark's best car loan

In Q2 2019, the bank launched Denmark's best car loan, which is offered to the bank's Pluskunder in a new campaign. The car loan has the lowest annual percentage rate (APR) offered in the market. This new product will position the bank even more strongly in the important market for car loans. In addition, the campaign supports the bank's intention of reducing its considerable excess liquidity. The new product has been extremely well received by customers.

Capital reservation for credit risk

DKKkm	30/06/2019						31/12/2018	
	Total assets	Credit exposure ^{a)}	Accumulated impairment writedowns ^{b)}	Required capital	Total reservation	Reservation/ credit exposure	Total reservation	Reservation/ credit exposure
Private	3,815	4,144	329	315	644	16%	625	15%
Commercial	877	2,271	506	254	760	33%	842	34%
Agriculture	103	495	392	21	413	83%	466	83%
Total, excl. reverse transactions	4,795	6,910	1,227	590	1,817	26%	1,933	27%
Reverse transactions and intra-group transactions	5	6	1	15	15	276%	13	9%
Total, group	4,800	6,916	1,228	605	1,832	26%	1,946	27%

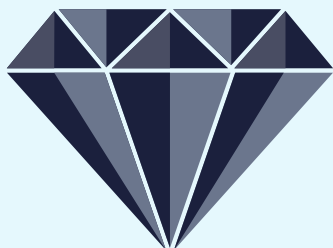
^{a)} Gross lending, residual debt on mortgage deeds and credit exposure through the option agreement with Alm. Brand Forsikring

^{b)} Including value adjustments of mortgage deeds

SUPERVISORY DIAMOND

At 30 June 2019, 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.



Large exposures

Threshold value < 175%	30 June 2019	44%	2018	43%
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Growth in lending

Threshold value < 20%	30 June 2019	-2%	2018	23%
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Funding ratio

Threshold value < 1	30 June 2019	0.41	2018	0.44
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Property exposure

Threshold value < 25%	30 June 2019	8%	2018	9%
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Excess liquidity coverage

Threshold value > 100%	30 June 2019	563%	2018	496%
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Banking

	DKK m	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
INCOME STATEMENT	Net interest and fee income	88	90	176	155	340
	Trading income	50	36	98	69	138
	Leasing	19	18	40	38	75
	Other income	17	30	22	35	51
	Total income	174	174	336	297	604
	Costs	-159	-163	-310	-285	-598
	Core earnings	15	11	26	12	6
	Investment portfolio earnings	-12	-7	-19	-15	-42
	Profit/loss before impairment writedowns	3	4	7	-3	-36
	Amortisation, customer relationships	-8	-8	-16	-8	-24
	Impairment of loans	20	25	40	45	86
	Profit/loss before tax	15	21	31	34	26
	Tax	-1	-8	-4	-9	-5
	Profit/loss after tax	14	13	27	25	21

	DKK m	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
BALANCE SHEET	Loans and advances	4,800	4,856	4,800	4,856	4,955
	Deposits	11,112	10,759	11,112	10,759	10,480
	Shareholders' equity	1,910	1,989	1,910	1,989	1,984
	Balance sheet	13,990	13,532	13,990	13,532	13,233
FINANCIAL RATIOS	Interest margin (%)	2.3	2.1	2.3	2.1	2.2
	Income/cost ratio	1.08	0.93	1.08	0.97	0.98
	Impairment ratio for the period	-0.2	-0.3	-0.5	-0.6	-0.9
	Total capital ratio	20.5	20.6	20.5	20.6	20.3
	Return on equity before tax (%)*	3.0	4.2	3.1	3.8	1.4
	Return on equity after tax (%)	2.9	2.8	2.7	3.0	1.1

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

Financial ratios are based on the definitions and guidelines of the Danish Financial Supervisory Authority and on the online version of "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts.

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 30 June 2019.

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 30 June 2019 and of the group's cash flows for the period 1 January to 30 June 2019.

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

Management Board

Copenhagen, 20 August 2019

Søren Boe Mortensen
Chief Executive Officer

Board of Directors

Copenhagen, 20 August 2019

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested

Helle Låsby Frederiksen

Claus Nexø Jensen

Susanne Larsen

Income statement

		Group				
DKK m	Note	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Income						
Premium income		1,729	1,761	3,634	3,620	7,278
Interest income etc.		183	168	354	354	671
Fee income etc.		51	58	100	94	181
Other income from investment activities		4	0	2	-1	7
Other income		69	246	145	321	471
Total income		2,036	2,233	4,235	4,388	8,608
Costs						
Claims incurred		-1,138	-1,092	-2,227	-2,206	-4,466
Interest expenses		-7	-17	-22	-33	-64
Other cost from investment activities		-13	-16	-29	-33	-54
Impairment of loans, advances and receivables, etc.	1	21	27	44	48	77
Acquisition and administrative costs		-472	-663	-929	-1,076	-1,980
Total costs		-1,609	-1,761	-3,163	-3,300	-6,487
Profit from business ceded		-62	-64	-126	-128	-249
Change in life insurance provisions		-445	-257	-1,236	-372	-658
Change in profit margin, Life Insurance		54	-11	14	-27	-35
Exchange rate adjustments		223	3	802	-200	-518
Tax on pension investment returns		-52	-5	-156	0	14
Profit/loss before tax		145	138	370	361	675
Tax		-22	6	-71	-38	-106
Profit/loss after tax		123	144	299	323	569
Earnings per share, DKK		0.8	0.9	1.9	2.0	3.6
Diluted earnings per share, DKK		0.8	0.9	1.9	2.0	3.6

Statement of comprehensive income

DKKm	Group				
	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Comprehensive income					
Profit for the period	123	144	299	323	569
<i>Items that may be recycled to profit or loss</i>	0	0	0	0	0
<i>Items that may not be recycled to profit or loss:</i>					
Revaluation of owner-occupied properties	0	0	0	0	29
Transferred to collective bonus potential	0	0	0	0	-29
Tax on other comprehensive income	0	0	0	0	0
Total other comprehensive income	0	0	0	0	0
Comprehensive income	123	144	299	323	569
Proposed allocation of profit/loss:					
Share attributable to Alm. Brand	123	144	299	323	569
Comprehensive income	123	144	299	323	569

Balance sheet

DKKm	Group		
	30 June 2019	30 June 2018	FY 2018
Assets			
Intangible assets	201	222	211
Owner-occupied properties	709	690	713
Deferred tax assets	0	54	46
Reinsurers' share of insurance contracts	152	114	166
Current tax assets	0	22	48
Other assets	2,262	1,858	1,866
Loans	5,684	5,877	5,745
Investment properties	727	610	724
Investment assets	30,887	28,306	28,413
Amounts due from credit institutions and central banks	1,154	1,072	861
Cash in hand and demand deposits	217	240	232
Total assets	41,993	39,065	39,025
Liabilities and equity			
Share capital	1,577	1,610	1,610
Reserves, retained profit etc.	2,957	2,995	2,668
Proposed dividend	0	0	470
Consolidated shareholders' equity	4,534	4,605	4,748
Subordinated debt	575	575	575
Provisions for insurance contracts	23,552	21,814	21,626
Other provisions	57	56	52
Deferred tax liabilities	54	0	0
Current tax liabilities	21	0	0
Other liabilities	1,690	1,275	1,295
Deposits	10,742	10,415	10,298
Payables to credit institutions and central banks	768	325	431
Total liabilities and equity	41,993	39,065	39,025
Note 2	Own shares		
Note 3	Contingent liabilities, guaranties and leasing		
Note 4	Fair value measurement of financial instruments		
Note 5	Accounting policies - Group		
Note 6	Financial highlights and key ratios		

Statement of changes in equity

DKKm	Share capital	Contin- gency funds	Other provi- sions	Retained profit	Proposed dividend	Consoli- dated equity
Shareholders' equity, 1 January 2018	1,655	182	1,215	1,404	480	4,936
Change in accounting policies				-62		-62
Adjusted shareholders' equity at 1 January 2018	1,655	182	1,215	1,342	480	4,874
Changes in equity H1 2018:						
Profit/loss for the period				323		323
Total income	0	0	0	323	0	323
Dividend distributed				3	-480	-477
Cancellation of treasury shares	-45			45		0
Share option scheme, exercise				19		19
Purchase and sale of treasury shares				-134		-134
Changes in equity	-45	0	0	256	-480	-269
Shareholders' equity, 30 June 2018	1,610	182	1,215	1,598	0	4,605
Adjusted shareholders' equity at 1 January 2018	1,655	182	1,215	1,342	480	4,874
Changes in equity 2018:						
Profit/loss for the year				569	0	569
Revaluation of owner-occupied properties				29		29
Transferred to collective bonus potential				-29		-29
Total income	0	0	0	569	0	569
Cancellation of treasury shares	-45			45		0
Proposed dividend				-470	470	0
Dividend distributed				3	-480	-477
Share option scheme, exercise				28		28
Purchase and sale of treasury shares				-246		-246
Changes in equity	-45	0	0	-71	-10	-126
Shareholders' equity, 31 December 2018	1,610	182	1,215	1,271	470	4,748
Shareholders' equity, 1 January 2019	1,610	182	1,215	1,271	470	4,748
Changes in equity H1 2019:						
Profit/loss for the period				299		299
Total income	0	0	0	299	0	299
Dividend distributed				3	-470	-467
Cancellation of treasury shares	-33			33		0
Share option scheme, exercise				21		21
Purchase and sale of treasury shares				-67		-67
Changes in equity	-33	0	0	289	-470	-214
Shareholders' equity, 30 June 2019	1,577	182	1,215	1,560	0	4,534

Capital target

DKKm	Total capital 30 June 2019
Equity	4,534
Intangible assets	-157
NEP facility 2019	50
Share buyback programme, outstanding	-188
Profit and risk margin	411
Tier 2 capital	575
Reservation employee shares	27
Total distributable capital of the group	5,252
DKKm	Capital target 30 June 2019
Non-life insurance (40% of gross premium income)	2,120
Life Insurance (7,5% of life insurance provisions)	1,035
Banking (19,5% of risk weighted assets)	1,845
Reservation MREL add-on	150
Alm. Brand A/S add-on	21
Diversification effects	-300
Consolidated capital target	4,871
Excess relative to internal capital target	381

Cash flow statement

DKKm				Group		
	H1 2019	H1 2018	FY 2018	H1 2019	H1 2018	FY 2018
Cash flows from operating activities						
Premiums received	3,992	4,158	7,279			
Claims paid	-2,157	-2,355	-4,489			
Dividends received	38	55	57			
Interest, etc. received	64	227	485			
Interest payable	-6	-8	-14			
Payments concerning reinsurance	-158	-97	-214			
Fee income received	106	100	187			
Fee income paid	-6	-6	-6			
Expences paid	-590	-1,047	-2,163			
Tax on pension investment returns paid	-83	-125	-127			
Other ordinary income received	145	321	471			
Taxes paid/received	-6	26	-3			
Cash flows from operating activities	1,339	1,249	1,463			
Change in investment placement						
Acquisition of intangible assets, furniture, equipment,	40	37	86			
Properties acquired or converted	3	-28	-135			
Sale/aquisition of equity investments	236	-98	-412			
Sale/repayment of mortgage deeds and loans	83	-1274	426			
Sale/aquisition of bonds	-1,686	-2,204	-817			
Acquisition of activities from Saxo Privatbank A/S	0	0	-380			
Change in investment placement	-1,324	-3,567	-1,232			
Change in financing						
Sale/purchase of treasury shares	-46	-134	-218			
Dividend distributed	-470	-480	-480			
Dividend received, treasury shares	3	3	3			
Subordinated debt	0	0	0			
Share issue	0	19	0			
Change in deposits	443	3709	228			
Change in payables to credit institutions	337	-7	99			
Change in other liabilities	-4	20	12			
Change in financing *)	263	3,130	-356			
Net change in cash and cash equivalents	278	812	-125			
Cash and cash equivalents, beginning of period	1,093	500	1,218			
Cash and cash equivalents, end of period	1,371	1,312	1,093			

*) The amount of DKK 263 million consists only of cash inflows og outflows.

Segment reporting

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

Segment reporting

DKKm						H1 2018
	Non-life	Life	Banking	Other	Elimi- nation	Group
Premium income	2,609	1,011	0	0		3,620
Interest income etc.	88	158	108	3	-3	354
Fee income etc.	0	0	117	0	-23	94
Other investment income	1	30	0	0	-32	-1
Other income	0	0	321	0		321
Total income	2,698	1,199	546	3	-58	4,388
Claims incurred	-1,654	-552	0	0		-2,206
Interest expenses	-18	-2	-10	-6	3	-33
Other investment expenses	-13	-17	0	-26	23	-33
Impairment of loans, advances and receivables, etc.	0	0	48	0		48
Acquisition and administrative expenses	-461	-49	-598	0	32	-1,076
Total expenses	-2,146	-620	-560	-32	58	-3,300
Result of business ceded	-128	0	0	0		-128
Change in life insurance provisions	0	-372	0	0		-372
Change in profit margin, Life Insurance	0	-27	0	0		-27
Exchange rate adjustments	-69	-129	-1	-1		-200
Tax on pension investment returns	0	0	0	0		0
Profit/loss before tax	355	51	-15	-30	0	361
Tax	-75	-11	40	8		-38
Profit/loss after tax	280	40	25	-22	0	323

DKKm	Group		
	H1 2019	H1 2018	FY 2018
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	3	48	10
New impairment writedowns, net	13	-5	-7
Previously impaired, now finally lost	0	0	0
Other movements	-3	1	0
Impairment writedowns, end of period	13	44	3
<i>Stage 2 significant increase in credit risk</i>			
Impairment writedowns, beginning of year	75	53	83
New impairment writedowns, net	-6	0	-8
Previously impaired, now finally lost	0	-10	0
Other movements	-1	22	0
Impairment writedowns, end of period	68	65	75
<i>Stage 3 Credit-impaired</i>			
Impairment writedowns, beginning of year	806	1,058	1,065
New impairment writedowns, net	-4	-29	-30
Previously impaired, now finally lost	-40	-80	-229
Other movements	0	95	0
Impairment writedowns, end of period	762	1,044	806
<i>Stage 1 no significant increase in credit risk</i>			
Provisions, beginning of period	10	2	2
New provisions, net	-4	1	6
Previously provided for, now finally lost	0	0	0
Other movements	3	2	2
Provisions, end of period	9	5	10

Notes

DKKm	Group		
	H1 2019	H1 2018	FY 2018
<i>Stage 2 significant increase in credit risk</i>			
Provisions, beginning of period	6	1	2
New provisions, net	0	6	4
Previously provided for, now finally lost	0	0	0
Other movements	1	1	0
Provisions, end of period	7	8	6
<i>Stage 3 Credit-impaired</i>			
Provisions, beginning of period	6	5	5
New provisions, net	2	0	0
Previously provided for, now finally lost	0	0	0
Other movements	0	1	1
Provisions, end of period	8	6	6
Total impairment writedowns and provisions, end of period	867	1,172	906
<i>Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement</i>			
Impairment writedowns on loans and advances for the year	21	-79	59
Provisions for losses on guarantees and undrawn credit facilities for the year	2	-12	-11
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	117	0
Finally lost, where impairment writedowns/provisions have not been made	-6	-4	-22
Settlements made on debt previously written off	27	26	51
Recognised in the income statement	44	48	77

Notes

DKKmn	Group		
	H1 2019	H1 2018	FY 2018
Note 2 Own shares			
Nominal value, beginning of period	43	59	59
Acquired during the period	13	20	40
Sold during the period	-8	-7	-11
Cancellation of treasury shares	-33	-45	-45
Nominal value, end of period	15	27	43
Holding number of shares ('000), beginning of period	4,310	5,915	5,915
Additions, number of shares	1,322	2,005	3,959
Disposals, number of shares	-816	-701	-1,064
Cancellation of treasury shares	-3,340	-4,500	-4,500
Holding number of shares ('000), end of period	1,476	2,719	4,310
Percentage of share capital, end of period	0.9%	1.7%	2.7%
Note 3 Contingent liabilities, guaranties and leasing			
Guarantee commitments	3,989	3,016	2,708

The Alm. Brand Group is contractually obliged to pay rent of DKK 55 million over the next five years. The obligation is recognised in Other liabilities as a lease obligation.

DKKm	30 June 2019				31 December 2018			
	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	4,651	1,033	5,684	0	4,649	1,096	5,745
Bonds	22,051	5,971	6	28,028	18,869	7,269	7	26,145
Shares	1,800	145	105	2,050	1,624	158	93	1,875
Investment properties	0	0	727	727	0	0	724	724
Other assets	-3	1,118	0	1,115	0	687	0	687
	0	0	0	0	0	0	0	0
Total financial assets	23,848	11,885	1,871	37,604	20,493	12,763	1,920	35,176
<u>Financial liabilities</u>								
Subordinated debt	0	0	575	575	0	0	575	575
Deposits	0	10,742	0	10,742	0	10,298	0	10,298
Other payables	4	683	0	687	0	517	0	517
Total financial liabilities	4	11,425	575	12,004	0	10,815	575	11,390

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

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

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

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

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

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement. The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. Due to a revaluation in 2018, the bank's subordinated loan of DKK 175 million has been reclassified from level 2 to level 3. There have been no changes to the data basis. Other than this, there were no transfers between categories in the fair value hierarchy in 2018 or 2019.

	30 June 2019				
DKKm	Loans and advances	Bonds	Shares	Investment properties	Subor-dinated debt
Development in level 3 financial instruments					
Carrying amount, beginning of period	1,096	7	93	724	574
Additions during the year	5	0	0	0	400
Disposals during the year	-76	-1	0	-1	-399
Realised value adjustments	-2	0	0	0	0
Unrealised value adjustments	10	0	12	5	0
Carrying amount, end of period	1,033	6	105	727	575
Value adjustments recognised in the income statement	8	0	12	5	0

	31 December 2018				
DKKm	Loans and advances	Bonds	Shares	Investment properties	Subor-dinated debt
Development in level 3 financial instruments					
Carrying amount, beginning of year	1,276	10	81	610	574
Addition during the year on acquisition of activities from Saxo Privatbank A/S	0	0	0	15	0
Additions during the year	8	0	8	84	150
Disposals during the year	-182	-3	0	-2	-149
Value adjustments during the year				17	0
Realised value adjustments	-1	0	0	0	0
Unrealised value adjustments	-5	0	4	0	0
Carrying amount, year-end	1,096	7	93	724	575
Value adjustments recognised in the income statement	-6	0	4	17	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 2018, 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.

Change in accounting policies

IFRS 16, Leasing was implemented with effect from 1 January 2019. 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 tenancy agreements will be comprised by the standard. On implementation, an amount of DKK 207 million was capitalised in “Other assets” and recognised as a liability of DKK 207 million in “Other liabilities”. Overall, the results for the period are largely unaffected by the implementation.

NOTE 6 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management’s review.

Income and comprehensive income statement

		Parent company				
DKK m	Note	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Income statement						
Income from group enterprises	2	133	156	320	346	614
Value adjustments, bonds		0	0	0	-1	-1
Interest income and dividends etc.		1	0	1	2	4
Interest expenses		-2	-3	-5	-6	-12
Administrative expenses related to investment activities		-12	-12	-24	-26	-50
Profit/loss before tax		120	141	292	315	555
Tax		3	3	7	8	14
Profit/loss after tax		123	144	299	323	569
Comprehensive income						
Profit/loss for the period		123	144	299	323	569
Comprehensive income		123	144	299	323	569
Proposed allocation of loss:						
Proposed dividend		0	0	0	0	470
Retained earnings		123	144	299	323	99
Comprehensive income		123	144	299	323	569
Accounting policies						

Balance sheet

DKK m	Note	Parent company		
		30 June 2019	30 June 2018	FY 2018
Assets				
Investment in group enterprises	1	4,738	4,747	5,017
Total investments in group enterprises and associates		4,738	4,747	5,017
Equity investments		1	1	1
Bonds		0	56	0
Other loans and advances		2	2	2
Deposits with credit institutions		0	0	0
Cash in hand and balances at call		9	35	1
Total other financial investment assets		12	94	4
Total investment assets		4,750	4,841	5,021
Receivables from group enterprises		15	0	0
Other receivables		39	52	55
Total receivables		54	52	55
Current tax assets		24	28	16
Deferred tax assets		1	3	0
Other assets		196	0	0
Total other assets		221	31	16
Total prepayments		0	0	3
Total assets		5,025	4,924	5,095

Balance sheet

DKKm	Parent company		
	30 June 2019	30 June 2018	FY 2018
Liabilities and equity			
Share capital	1,577	1,610	1,610
Other provisions	1,215	1,215	1,215
Proposed dividend	0	0	470
Retained earnings	1,742	1,780	1,453
Total shareholders' equity	4,534	4,605	4,748
Subordinated debt	250	250	250
Subordinated debt	250	250	250
Deferred tax liabilities	40	40	38
Total provisions	40	40	38
Payables to group enterprises	2	24	41
Other payables	199	5	18
Total payables	201	29	59
Total liabilities and equity	5,025	4,924	5,095

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
Shareholders' equity at 1 January 2018	1,655	1,215	1,586	480	4,936
Change in accounting policies			-62		-62
Adjusted shareholders' equity at 1 January 2018	1,655	1,215	1,524	480	4,874
Changes in equity H1 2018:					
Profit/loss for the period			323	0	323
Comprehensive income			323	0	323
Purchase and sale of treasury shares			-134		-134
Share option scheme, exercise			19		19
Changes in equity	-45	0	256	-480	-269
Shareholders' equity at 30 June 2018	1,610	1,215	1,780	0	4,605
Adjusted shareholders' equity at 1 January 2018	1,655	1,215	1,524	480	4,874
Changes in equity 2018:					
Profit/loss for the year			569	0	569
Comprehensive income			569	0	569
Cancellation of treasury shares	-45		45		0
Proposed dividend			-470	470	0
Dividende distributed			3	-480	-477
Purchase and sale of treasury shares			-246		-246
Share option scheme, exercise			28		28
Changes in equity	-45	0	-71	-10	-126
Shareholders' equity at 31 December 2018	1,610	1,215	1,453	470	4,748
Shareholders' equity at 1 January 2019	1,610	1,215	1,453	470	4,748
Changes in equity H1 2019:					
Profit/loss for the period			299	0	299
Comprehensive income	0		299		299
Dividend distributed			3	-470	-467
Cancellation of treasury shares	-33		33		0
Share option scheme, exercise			21		21
Purchase and sale of treasury shares			-67		-67
Changes in equity	-33	0	289	-470	-214
Shareholders' equity at 30 June 2019	1,577	1,215	1,742	0	4,534

Notes

DKKm	30 June 2019	30 June 2018	FY 2018
Note 1 Investment in group enterprises			
Cost, beginning of period	8,941	8,491	8,491
Additions	0	450	450
Cost, end of period	8,941	8,941	8,941
Revaluation and impairment, beginning of period	-3,924	-3,626	-3,626
Change in accounting policies	0	-62	-62
Dividend received	-600	-850	-850
Profit/loss for the period	320	346	614
Revaluation and impairment of treasury shares in subsidiaries	1	-2	0
Revaluation and impairment, end of period	-4,203	-4,194	-3,924
Investment in group enterprises, end of period	4,738	4,747	5,017
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,910	1,985	1,982
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	2,828	2,762	3,035
Investment in group enterprises, end of period	4,738	4,747	5,017
Note 2 Income from group enterprises			
Alm. Brand Bank A/S	27	27	22
Alm. Brand Forsikring A/S	293	319	592
Total income from group enterprises	320	346	614
<i>The results are recognised in the following items:</i>			
Income from group enterprises	320	346	614
Total income from group enterprises	320	346	614

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 accounting policies are unchanged from the policies applied in the annual report for 2018.

The interim report is unaudited.

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

Søren Boe Mortensen
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

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