Alm Brand Group

ALM. BRAND GROUP

Interim report Q4

2023

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Contents

Alm. Brand Group

	DKKm	Q4 2023	Q4 2022	FY 2023	FY 2022
INCOME STATEMENT	Insurance revenue	3,007	2,919	11,784	9,564
	Claims expenses *)	-1,936	-1,968	-7,537	-6,467
	Insurance operating expenses *)	-547	-526	-2,147	-1,680
	Profit/loss on reinsurance	-191	-74	-688	-412
	Insurance service result	**333**	**351**	**1,412**	**1,005**
	Investment return after return on and value adjustment of provisions	140	-11	364	-373
	Other income and expenses	-32	-42	-132	-174
	Profit/loss before tax excluding special costs, continuing activities	**441**	**298**	**1,644**	**458**
	Special costs	-246	-174	-763	-694
	Profit/loss before tax, continuing activities	**195**	**124**	**881**	**-236**
	Tax, continuing activities	-75	2	-269	66
	Profit/loss after tax, continuing activities	**120**	**126**	**612**	**-170**
	Profit/loss after tax, discontinued activities	-	-	-	544
	Profit after tax	**120**	**126**	**612**	**374**
	Run-off gains/losses, net of reinsurance	**118**	**115**	**300**	**157**
	Gross claims ratio	64.3	67.4	63.9	67.6
	Net reinsurance ratio	6.4	2.6	5.9	4.3
	Claims ratio	**70.7**	**70.0**	**69.8**	**71.9**
	Gross expense ratio	18.2	18.0	18.2	17.6
	Combined ratio *)	**88.9**	**88.0**	**88.0**	**89.5**
	Combined ratio excluding run-off result	92.9	91.9	90.5	91.1
	Combined ratio	89.4	88.4	88.7	90.3

	DKKm	Q4 2023	Q4 2022	FY 2023	FY 2022
BALANCE SHEET	Technical provisions	17,064	16,633	17,064	16,633
	Insurance assets	470	457	470	457
	Consolidated shareholders' equity	13,944	13,845	13,944	13,845
	Total assets	35,562	35,590	35,562	35,590
FINANCIAL RATIOS	Return on equity before tax, continuing activities (% p.a.) **)	13.1	9.1	12.3	3.4
	Return on equity before tax (% p.a.) ***)	13.1	9.1	12.3	7.4
	Return on equity after tax (% p.a.) ***)	9.9	8.0	8.9	6.7
	Earnings per share	0.1	0.1	0.4	0.2
	Diluted earnings per share	0.1	0.1	0.4	0.2
	Net asset value per share	9.3	9.2	9.3	9.2
	Share price, end of period	11.9	11.3	11.9	11.3
	Price/NAV	1.28	1.22	1.28	1.22
	Average no. of shares (in millions)	1,540	1,540	1,540	1,540
	No. of shares, end of period, diluted (in millions)	1,539	1,541	1,539	1,541
	Average no. of shares, diluted (in millions)	1,540	1,540	1,540	1,540
	No. of shares bought back (in DKK thousands)	2	-	2	-
	Avg. price of shares bought back	12.1	-	12.1	-
	Dividend per share	0.55	0.30	0.55	0.30

Alm. Brand Group's financial results for FY 2022 include the acquired Danish business of Codan Forsikring ("Codan") for the period 1 May 2022 to 31 December 2022.

*) Claims expenses and insurance operating expenses for Q4 2023 include income from the Transitional Service Agreement (TSA) related to the divestment of Codan's activities to Tryg. Claims expenses are stated less DKK 4 million and insurance operating expenses are stated less DKK 10 million. The Q4 2022 result included income from the TSA of -5 million and DKK 16 million, respectively.

Claims expenses for 2023 are stated less DKK 24 million and insurance operating expenses are stated less DKK 52 million from the TSA. Claims expenses and insurance operating expenses for 2022 are affected by DKK 26 million and DKK 50 million, respectively. For both years, income is included from the TSA related to the divestment of Alm. Brand Liv og Pension A/S.

Financial ratios have been restated accordingly.

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

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

Alm. Brand Group

Overview of financial results for Q4 2023 and FY 2023

The profit of Alm. Brand Group ("Alm. Brand Group" or "the group") for 2023, as opposed to the comparative figures for 2022, includes a full 12-month period of activities for the entire group. The comparative figures for 2022 include the profit for the year of Alm. Brand Forsikring ("Alm. Brand") and other activities for the full year as well as the acquired Danish business of Codan Forsikring and Privatsikring ("Codan") for the period 1 May 2022 to 31 December 2022.

Q4 PERFORMANCE

Alm. Brand Group's insurance revenue grew to DKK 3,007 million in Q4 2023 from DKK 2,919 million in Q4 2022 for an overall satisfactory growth rate of 3.0%, reflecting a favourable trend in Personal Lines, and more subdued trends in Commercial Lines as a result of shifts in earnings patterns for our Industrial segment.

The insurance service result was a profit of DKK 333 million, against DKK 351 million in Q4 2022, driven by a profit of DKK 227 million in Commercial Lines and a profit of DKK 106 million in Personal Lines, which was lower than in Q4 2022. The insurance service result reflects a generally satisfactory claims experience, although excessive precipitation in the final quarter resulted in a high level of weather-related claims expenses. A continued focus on profitability generated positive results in Commercial Lines in the final quarter as well, including in the Energy segment.

The underlying combined ratio thus showed an improvement of 1.8 percentage points driven by Commercial Lines.

The financial markets developed favourably in the quarter, enabling Alm. Brand Group to post an investment result of DKK 140 million – including a satisfactory return on the portfolio not allocated to hedging of provisions as well as a positive return on the hedging portfolio after return on and value adjustment of provisions, against a loss of DKK 11 million in the same quarter of 2022.

Other income and expenses came to a net loss of DKK 32 million, composed of DKK 17 million in training and development expenses and a total of DKK 15 million in group expenses and return on the remaining mortgage deed and debt collection portfolio.

Alm. Brand Group thus generated a pre-tax profit of DKK 441 million excluding special costs in Q4 2023, against a pre-tax profit of DKK 298 million in Q4 2022.

Special costs amounted to DKK 157 million, of which DKK 68 million were related to the integration of Codan and realisation of synergies, DKK 61 million were employee termination benefits related to the layoffs at end-November and DKK 28 million related to the bankruptcy of Gefion Finans A/S. Moreover, the profit comprises amortisation of intangible assets in an amount of DKK 89 million, bringing Alm. Brand Group's consolidated pre-tax profit for Q4 2023 to DKK 195 million.

FULL-YEAR PERFORMANCE

Alm. Brand Group's insurance revenue rose to DKK 11,784 million from DKK 9,564 million in 2022, driven partly by satisfactory organic growth, partly by the recognition of twelve months of insurance revenue in Codan, against only eight months last year.

The insurance service result was a profit of DKK 1,412 million in 2023, against DKK 1,005 million in 2022. The result reflects a satisfactory performance, although the year was characterised by challenges in the form of a high frequency of minor claims, including in particular an increase in the number of motor claims, and several periods of excessive precipitation during the year, driving the number of weather-related claims above normal. The performance was lifted by price initiatives in Commercial Lines and continued cost savings, including the realised synergies related to the integration of Codan.

The investment result was a profit of DKK 364 million, driven by generally positive financial market developments in spite of geopolitical tension and prospects of subdued economic growth.

Other income and expenses came to a net loss of DKK 132 million, composed of DKK 54 million in training and development expenses and a total of DKK 78 million in group expenses and return on the remaining mortgage deed and debt collection portfolio.

Alm. Brand Group thus generated a pre-tax profit of DKK 1,644 million excluding special costs in 2023, against a pre-tax profit of DKK 458 million in 2022.

The full-year profit also includes special costs of DKK 405 million related to the integration of Codan, realisation of synergies, employee termination benefits related to the lay-offs at end-November and costs related to the bankruptcy of Gefion Finans A/S. Moreover, the profit comprises amortisation of intangible assets in the amount of DKK 358 million, bringing Alm. Brand Group's consolidated pre-tax profit for 2023 to DKK 881 million.

CAPITALISATION

The solvency capital requirement for the group was DKK 3,097 million at 31 December 2023, calculated using a partial internal model for Alm. Brand and the standardised model for Codan, against DKK 3,015 million at 30 September 2023.

The total capital for coverage of the solvency capital requirement fell to DKK 5,640 million, including the profit for the period, for an excess cover of DKK 2,543 million relative to the solvency capital requirement. The group's total capital is assessed to be sufficiently robust to manage the risks associated with its activities.

Capitalisation

DKKm	Q4 2023	Q3 2023
Total capital for the group	5,640	6,525
Solvency capital requirement for the group	3,097	3,015
Solvency capital requirement excess	2,543	3,510
Total capital as a percentage of solvency capital requirement	182	216

At 31 December 2023, Alm. Brand Group had an SCR ratio of 182%, including funds to cover the expected restructuring costs in connection with the integration of Codan. Alm. Brand Group aims to have an SCR ratio of at least 170% going forward and will, with due consideration to this aim, be able to distribute a high proportion of future earnings to its shareholders. In consequence thereof, Alm. Brand Group has specified a payout ratio of at least 80% in its distribution policy and expects the distribution in the coming years to be a combination of dividend payments and share buy-backs.

Based on the profit after tax adjusted for the effect of amortisation of intangible assets and costs related to the integration of Codan, the Board of Directors recommends that a dividend of DKK 0.55 per share be paid in respect of 2023 in continuation of the general meeting scheduled to be held in April 2024 and that the current share buyback programme be increased by DKK 100 million to DKK 300 million. This means that Alm. Brand will distribute DKK 1,148 million in aggregate for the 2023 financial year, corresponding to a payout ratio of 98% of the adjusted profit after tax.

The proposed distribution for 2023 is deducted in the calculation of total capital.

SYNERGIES AND OTHER COST INITIATIVES

Initiatives to realise synergies in a total amount of DKK 600 million by 2025 are progressing satisfactorily and slightly ahead of schedule. In 2023, focus was on measures that will lead to efficiency enhancements of procurement and claims processing and elaboration of systems for screening claims reports with a view to reducing insurance fraud. By preparing and implementing these measures, we have created a foundation that has enabled Alm. Brand Group to achieve synergies contributing an accounting effect of DKK 262 million in the financial year 2023. The initiatives will subsequently have a full-year effect in 2024 of DKK 350 million and will provide a strong foundation for realising synergies of DKK 450 million in aggregate in 2024, driven by further significant contributions from claims services and administration and cost savings on IT and infrastructure.

Alm. Brand Group will regularly release information about developments in the realisation of synergies in the period until 2025.

In addition, in November 2023, Alm. Brand Group aligned the group, creating a new and less complex organisation with a more efficient management structure anchored in a new, five member strong Group Executive Management. As a result of these changes, Alm. Brand Group parted with 105 employees across the organisation in order to strengthen customer focus even more, provide clearly defined responsibilities for profitability and promote even faster decision-making processes across the group.

Moreover, a process has been initiated to complete a legal merger of Alm. Brand Forsikring and Codan Forsikring in order to simplify the group's company structure and facilitate data sharing across the organisation.

OUTLOOK FOR 2024

For 2024, Alm. Brand Group expects to realise an insurance service result of DKK 1.40-1.60 billion excluding run-offs. The profit guidance includes synergies in a total amount of DKK 450 million. The expected increase relative to the result realised in 2023 is also driven by an expectedly lower level of weather-related claims and improved profitability in Personal Lines and retention of the positive momentum in Commercial Lines.

The expense ratio is expected to be about 17-17.5%, and the combined ratio excluding run-offs is expected to be about 87-89.

The investment result is expected to be about DKK 250 million based on the current estimated holding period returns on the portfolio not allocated to hedging of provisions, with other activities expected to generate a loss of about DKK 125 million.

Alm. Brand Group thus expects to report a consolidated pre-tax profit of DKK 1.53-1.73 billion excluding special costs.

Alm. Brand Group expects to incur special costs of about DKK 200-250 million for the integration of Codan and realisation of synergies and will, in addition, recognise amortisation charges on intangible assets in an amount of approximately DKK 360 million.

MAJOR EVENTS

Change of management structure and alignment of organisation

In November 2023, Alm. Brand Group aligned the organisation, anchoring it in a new, five member strong Group Executive Management ("GEM"). CEO Rasmus Werner Nielsen heads up the GEM and also holds overall responsibility for a number of group functions, including the group's overall strategy and communication.

Share buyback

As stated in company announcement no. 23/2023, Alm. Brand on 5 December 2023 launched a share purchase programme for a total amount of DKK 250 million, DKK 200 million of which is allocated to a share buyback programme and DKK 50 million to employee share programmes.

INSURANCE SERVICE RESULT

Q4 PERFORMANCE

In the final quarter of the year, insurance revenue in Alm. Brand Group rose by 3% to DKK 3,007 million from DKK 2,919 million in Q4 2022, driven by satisfactory developments in Personal Lines and slightly weaker growth in Commercial Lines as a result of shifts in earnings patterns for the Industrial segment. Against this background, the insurance service result amounted to DKK 333 million, against DKK 351 million in Q4 2022, causing the combined ratio to increase from 88.0 to 88.9, including a significant effect of higher weather-related claims expenses in the quarter, which were widely offset by lower major claims expenses, however. As in previous quarters, the underlying performance was driven by favourable developments in Commercial Lines, including an exceptionally low claims experience in the underlying business in the Marine segment, whereas Personal Lines reported a decline, mainly due to a higher frequency of motor claims in particular.

Combined ratio

	2023[1]	2022[2]	Change	Q4 2023[3]	Q4 2022[4]	Change
Underlying claims experience	60.7	61.3	-0.6	59.1	60.9	-1.8
Expense ratio	18.2	17.6	0.6	18.2	18.0	0.2
Combined ratio, underlying business	**78.9**	**78.9**	**0.0**	**77.3**	**78.9**	**-1.6**
Weather-related claims, net of reinsurance	3.8	2.2	1.6	7.8	0.6	7.2
Major claims, net of reinsurance	7.8	10.4	-2.6	7.3	13.3	-6.0
Run-off result, claims	-2.5	-1.6	-0.9	-4.0	-3.9	-0.1
Change in risk margin	0.0	-0.4	0.4	0.5	-0.8	1.3
Combined ratio	**88.0**	**89.5**	**-1.5**	**88.9**	**88.0**	**0.9**

1) Calculated taking into account income of DKK 76 million from the TSA.
2) Calculated taking into account income of DKK 76 million from the TSA.
3) Calculated taking into account income of DKK 14 million from the TSA.
4) Calculated taking into account income of DKK 11 million from the TSA.

The underlying combined ratio thus showed an improvement of 1.8 percentage points driven by Commercial Lines.

FULL-YEAR PERFORMANCE

For the full year 2023, Alm. Brand Group's insurance revenue rose to DKK 11,784 million from DKK 9,564 million in 2022, driven by satisfactory growth as well as by the recognition of twelve months of insurance revenue in Codan, against only eight months last year.

The insurance service result increased to a profit of DKK 1,412 million in 2023, against DKK 1,005 million in 2022. The performance reflects favourable developments in insurance revenue, a generally satisfactory claims experience and a positive contribution from synergies across all group functions, but also that 2023 was a year with a high level of weather-related claims expenses.

A continued focus on profitability generated positive results in Commercial Lines, including the Energy segment, and significant improvements have thus been reported for several successive quarters. In continuation thereof, a process has been initiated to examine alternative scenarios for how the Energy segment may add the most value to Alm. Brand Group given the growth potential that lies in the field of insuring construction and operation of projects in the renewable energy market. The favourable developments in Commercial Lines were also supported by claims prevention and targeted price initiatives.

Throughout the year, the results of Personal Lines were generally affected by a normalisation of the claims experience to the pre-COVID 19 level. Moreover, the frequency of motor claims was generally higher. As most of these are excepted to reflect a lasting trend, initiatives were launched to improve profitability in 2023. Finally, the results of Personal Lines were to a certain extent affected by unusually wet weather conditions.

In line with expectations, the annual indexation of the premium level supplemented by selected premium increases fully compensated for inflation in claims repair costs in 2023.

The combined ratio was 88.0 in 2023, against 89.5 in 2022, reflecting an improvement driven by a more favourable claims experience due to a lower level of major claims expenses, but also higher weather-related claims expenses as a result of the windstorm Otto at the beginning of the year and unusually large amounts of precipitation in parts of the second half of 2023. The underlying claims experience generally improved, driven by favourable developments in Commercial Lines, whereas Personal Lines were affected by a higher frequency of minor claims, in particular motor claims.

At the beginning of 2023, inflation in average claims repair costs was high. To fully compensate for this, ordinary indexation of premiums as well as selective premium increases in Commercial Lines in particular were implemented over the course of the year.

Insurance revenue

Insurance revenue grew to DKK 11,784 million from DKK 9,564 million in 2022, reflecting the acquisition of Codan and sustained satisfactory organic growth of 4.8% in Alm. Brand, which includes ordinary indexation of premiums as well as selective price adjustments in Commercial Lines in particular. On the one hand, this reflects a sustained satisfactory inflow of new customers and additional sales to existing customers, and on the other hand a certain amount of customer cessation, partly due to price initiatives to achieve a more profitable business.

Claims experience

The claims experience for 2023 totalled 69.8, against 71.9 in 2022, including an improvement of the claims ratio, but also an increase in the net reinsurance ratio.

Underlying business

The underlying claims ratio was 60.7, against 61.3, marking an improvement on last year driven by favourable developments in Commercial Lines during most of 2023, whereas developments in Personal Lines were adversely affected by a higher underlying claims ratio in particular due to a higher frequency of motor claims.

In addition, developments in the underlying business were affected by a number of opposing forces. Effective from the beginning of the year, Alm. Brand Group implemented a uniform threshold for inclusion of claims expenses in the major claims category. If the same thresholds had been applied in 2022, the underlying claims ratio for the year would have been 0.6 of a percentage point higher at 61.9. Nevertheless, due to a higher interest rate level, technical provisions were lower this year, all other things being equal. Adjusted for these factors, the underlying claims ratio was on a par with 2022. Commercial Lines reported significant improvement driven by profitability-enhancing measures, whereas Personal Lines reported a higher frequency of minor claims, including in particular motor claims, which overshadowed the favourable effects of general efficiency enhancements and realisation of synergies

Weather-related claims

Weather conditions stole more headlines than normally in 2023. In February, Danmark was hit by the windstorm Otto, and the late summer and autumn months saw some very wet periods with heavy rainfall and cloudburst incidents. Moreover, the group made weather-related claims payouts to Danish summer tourists holidaying in Italy and Greece, which pushed weather-related claims to a relatively high level. Claims expenses for weather-related claims net of reinsurance amounted to DKK 446 million and affected the combined ratio by 3.8 percentage points against 2.2 percentage points in 2022.

Major claims

Claims expenses for major claims net of reinsurance amounted to DKK 923 million, reflecting a favourable experience, with positive contributions from sustained strengthened claims prevention efforts for selected customer segments in Commercial Lines and tighter underwriting requirements to ensure that claims expenses are kept at a satisfactory level going forward. The favourable trends were supported by highly satisfactory developments in the Energy segment with relatively few major claims being reported in 2023. Claims expenses for major claims net of reinsurance affected the combined ratio by 7.8 percentage points against 10.4 percentage points in 2022.

Run-off result

The run-off result on claims net of reinsurance amounted to a gain of DKK 300 million in 2023, with positive contributions from personal accident insurance in particular. Overall, run-off gains came to 2.5 percentage points, against 1.6 percentage points in 2022.

Costs

Insurance operating expenses amounted to DKK 2,147 million, and the expense ratio thus came to 18.2, against a reported ratio of 17.6 and a pro forma ratio of 19.3 in 2022. The expense ratio of 17.6 only included eight months for Codan. The fair decline in operating expenses was in line with expectations and supported by the continued implementation of measures to realise synergies.

Reinsurance

At the beginning of 2023, the reinsurance market was marked by capacity constraints, resulting in tighter terms and conditions and a general increase in premium levels in connection with renewal of reinsurance programmes. Alm. Brand Group's reinsurance costs are thus higher this year at a net cost of DKK 688 million in 2023, against DKK 412 million in 2022. The development reflects a year in which, as opposed to 2022, there were no events that triggered recoveries under the group's reinsurance programme.

Discounting

During most of 2023, the yield curve, which is used for discounting premium and claims provisions, was higher than the year before. The effect of interest rate movements over the year is assessed to have resulted in a 1.1 percentage point improvement of the combined ratio relative to 2022, although the effect in Q4 2023 was only moderately positive at 0.2 of a percentage point after a sharp drop in interest rates in the quarter.

Personal Lines

DKKm	2023[1]	2022[2]	Change	Q4 2023[3]	Q4 2022[4]	Change
Insurance revenue	5,268	4,272	996	1,355	1,290	65
Claims expenses	-3,516	-2,649	-867	-938	-771	-167
Insurance operating expenses	-1,114	-878	-236	-281	-263	-18
Profit/loss on reinsurance	-122	-75	-47	-30	-18	-12
Insurance service result	**516**	**670**	**-154**	**106**	**238**	**-132**
Run-off gains/losses, net of reinsurance	122	127	-5	36	58	-22
Gross claims ratio	66.7	62.0	4.7	69.3	59.8	9.5
Net reinsurance ratio	2.4	1.7	0.7	2.2	1.4	0.8
Claims ratio	**69.1**	**63.7**	**5.4**	**71.5**	**61.2**	**10.3**
Gross expense ratio	21.1	20.6	0.5	20.7	20.4	0.3
Combined ratio	**90.2**	**84.3**	**5.9**	**92.2**	**81.6**	**10.6**
Underlying claims ratio	66.4	63.3	3.1	66.2	63.6	2.6
Combined ratio, underlying business	87.5	83.9	3.6	86.9	84.0	2.9
Weather-related claims, net of reinsurance	3.9	1.4	2.5	6.9	0.2	6.7
Major claims, net of reinsurance	1.1	2.0	-0.9	1.1	1.7	-0.6
Run-off gains/losses, net of reinsurance	-2.3	-3.0	0.7	-2.8	-4.5	1.7
Change in risk margin	0.0	0.0	0.0	0.1	0.2	-0.1
Combined ratio	**90.2**	**84.3**	**5.9**	**92.2**	**81.6**	**10.6**

1) Gross claims expenses are stated less DKK 9 million and insurance operating expenses are stated less DKK 22 million from the TSA.
2) Gross claims expenses are stated less DKK 10 million and insurance operating expenses are stated less DKK 19 million from the TSA.
3) Gross claims expenses are stated less DKK 2 million and insurance operating expenses are stated less DKK 5 million from the TSA.
4) Gross claims expenses are stated plus DKK 1 million (correction to previous periods 2022) and insurance operating expenses are stated less DKK 7 million from the TSA.

Financial ratios have been restated accordingly.

PERSONAL LINES

Q4 PERFORMANCE

Insurance revenue in Personal Lines rose to DKK 1,355 million in Q4 2023 from DKK 1,290 million in Q4 2022, equivalent to sustained satisfactory growth of 5.0%, including sustained highly satisfactory developments in sales through partnerships and generally improved additional sales to existing customers. Against this background, the insurance service result amounted to DKK 106 million, against DKK 238 million in Q4 2022, causing the combined ratio to increase from 81.6 to 92.2, including a significant effect of higher weather-related claims expenses in the quarter. Moreover, the fourth quarter was affected in part by a sustained higher frequency of minor claims, in particular due to an increase in the number of motor claims, partly by a lower runoff result than in Q4 2022. As developments in the fourth quarter reflected many of the factors also seen in the preceding quarters, these factors have been addressed through various profitability-enhancing measures.

FULL-YEAR PERFORMANCE

For the full year 2023, insurance revenue from Personal Lines rose to DKK 5,268 million from DKK 4,272 million in 2022, driven by satisfactory growth as well as by the fact that the 2022 figure only included eight months of insurance revenue from Codan.

The insurance service result was a profit of DKK 516 million, against DKK 670 million in 2022, causing the combined ratio to increase from 84.3 to 90.2, including a significant effect of higher weather-related claims expenses due to the exceptionally large amounts of precipitation over the year as well as a higher frequency of minor claims, in particular due to an increase in the number of motor claims.

The sum of gross claims expenses and the reinsurance result was an expense of DKK 3,638 million in total, corresponding to a claims ratio net of reinsurance of 69.1 against 63.7 in 2022, primarily reflecting the sum of higher weather-related claims expenses and a higher frequency of motor claims as well as lower run-off gains relative to last year.

Due to unusually rainy weather conditions with historically large amounts of precipitation, claims expenses increased to DKK 208 million net of reinsurance from DKK 58 million in 2022, causing the effect on the combined ratio to increase to 3.9 percentage points from 1.4 percentage points in 2022.

However, expenses for major claims were at a modest level, amounting to DKK 59 million net of reinsurance, equivalent to an effect on the combined ratio of 1.1 percentage points, against 2.0 percentage points in 2022.

Insurance operating expenses amounted to DKK 1,114 million, and the expense ratio thus came to 21.1, against 20.6 in 2022. The expense ratio covers expenses in the traditional distribution channel as well as in the bancassurance partnership, including Privatsikring, where the expense level is significant higher, among other things as a result of continued investments in growth. These higher costs were only included in the expense ratio for eight months in 2022, but for the full twelve months in 2023, which explains the increase. The initiatives to realise synergies are seen to reduce operating costs across the group according to plan. As a result, the trend in costs reflects a major improvement relative to the pro forma expense ratio of 23.1 for 2022.

The run-off result net of reinsurance was a gain of DKK 122 million, driven mainly by personal accident insurance.

Commercial Lines

DKKm	2023[1]	2022[2]	Change	Q4 2023[3]	Q4 2022[4]	Change
Insurance revenue	6,516	5,292	1,224	1,652	1,629	23
Claims expenses	-4,021	-3,818	-203	-998	-1,197	199
Insurance operating expenses	-1,033	-802	-231	-266	-263	-3
Profit/loss on reinsurance	-566	-337	-229	-161	-56	-105
Insurance service result	**896**	**335**	**561**	**227**	**113**	**114**
Run-off gains/losses, net of reinsurance	178	30	148	82	57	25
Gross claims ratio	61.7	72.1	-10.4	60.2	73.5	-13.3
Net reinsurance ratio	8.7	6.4	2.3	10.0	3.5	6.5
Claims ratio	**70.4**	**78.5**	**-8.1**	**70.2**	**77.0**	**-6.8**
Gross expense ratio	15.8	15.2	0.6	16.0	16.1	-0.1
Combined ratio	**86.2**	**93.7**	**-7.5**	**86.2**	**93.1**	**-6.9**
Underlying claims ratio	56.4	59.6	-3.2	53.5	58.6	-5.1
Combined ratio, underlying business	72.2	74.8	-2.6	69.5	74.7	-5.2
Weather-related claims, net of reinsurance	3.6	2.8	0.8	8.5	0.9	7.6
Major claims, net of reinsurance	13.2	17.2	-4.0	12.4	22.5	-10.1
Run-off gains/losses, net of reinsurance	-2.7	-0.5	-2.2	-4.9	-3.4	-1.5
Change in risk margin	-0.1	-0.6	0.5	0.7	-1.6	2.3
Combined ratio	**86.2**	**93.7**	**-7.5**	**86.2**	**93.1**	**-6.9**

1) Gross claims expenses are stated less DKK 15 million and insurance operating expenses are stated less DKK 31 million from the TSA.
2) Gross claims expenses are stated less DKK 16 million and insurance operating expenses are stated less DKK 31 million from the TSA.
3) Gross claims expenses are stated less DKK 2 million and insurance operating expenses are stated less DKK 5 million from the TSA.
4) Gross claims expenses are stated plus DKK 4 million (correction to previous periods 2022) and insurance operating expenses are stated less DKK 9 million from the TSA.

Financial ratios have been restated accordingly.

COMMERCIAL LINES

Q4 PERFORMANCE

Insurance revenue in Commercial Lines grew by 1.4% from DKK 1,629 million in Q4 2022 to DKK 1,652 million in Q4 2023. The insurance service result doubled to DKK 227 million from DKK 113 million in Q4 2022, causing the combined ratio to improve to 86.2 from 93.1, mainly driven by significantly fewer claims expenses for both major and minor claims. Developments in the fourth quarter thus marked a continuation of the favourable trend building up in the previous quarters, including implementation of claims prevention initiatives, tighter underwriting requirements and selective price increases. However, Commercial Lines was also impacted by significant claims expenses caused by weather-related incidents.

FULL-YEAR PERFORMANCE

For the full year, insurance revenue in Commercial Lines rose to DKK 6,516 million from DKK 5,292 million in 2022, reflecting, in addition to the recognition of insurance revenue in Codan for the full 12-month period as opposed to only part of the year in 2022, a continued inflow of new customers as well as the implementation of a number of price initiatives to create a satisfactory balance between premium level and the expected risk of insurance events occurring. The Energy segment delivered a strong performance throughout the year, in isolation reporting a combined ratio of 71.7, with highly satisfactory profitability achieved through targeted portfolio composition and repricing efforts.

The insurance service result in Commercial Lines was a profit of DKK 896 million in 2023, against DKK 335 million in 2022. The combined ratio thus improved considerably to 86.2 from 93.7 in 2022, reflecting a low underlying claims ratio and a more favourable major claims experience relative to last year. Throughout the year, the favourable developments were supported by a range of price and profitability initiatives, including premium increases and exposure changes among the largest customers.

The sum of gross claims expenses and the reinsurance result was an expense of DKK 4,587 million in total, corresponding to a claims ratio of 70.4 net of reinsurance, against 78.5 in 2022, including a lower gross claims ratio but a higher net reinsurance ratio relative to 2022. The favourable developments were supported by a number of claims prevention initiatives aimed at selected customer segments and tighter underwriting requirements. Moreover, the positive effects of a higher interest rate level also contributed to reducing the level of technical provisions.

Net of reinsurance, expenses for weather-related claims amounted to DKK 238 million, against DKK 146 million in 2022. Weather conditions were indeed unusual in 2023, with windstorms and historically large amounts of precipitation, which resulted in quite high claims expenses, affecting the combined ratio by 3.6 percentage points, against 2.8 percentage points in 2022.

Net of reinsurance, expenses for major claims amounted to DKK 864 million, against DKK 908 million in 2022. Relatively few major claims were reported in 2023, and claims expenses for major claims thus affected the combined ratio by 13.2 percentage points, against 17.2 percentage points in 2022. For quite some time, Alm. Brand Group has strengthened claims prevention efforts in respect of selected customer segments and tightened underwriting requirements in order to reduce claims expenses to a more satisfactory level. These efforts continue and are producing the intended results.

Insurance operating expenses totalled DKK 1,033 million, equivalent to an expense ratio of 15.8, against 15.2 in 2022. The initiatives to realise synergies are seen to reduce operating costs across the group according to plan. As a result, the trend in costs partly reflects a small improvement relative to the pro forma expense ratio of 16.2 for 2022 and partly points to an expectedly somewhat lower level going forward.

The run-off result on claims net of reinsurance amounted to a gain of DKK 178 million in 2023, against DKK 30 million in 2022. The run-off result comprised a positive result driven mainly by personal accident insurance.

INVESTMENT RESULT

The investment result after interest on technical provisions was a gain of DKK 140 million in Q4 2023, against a loss of DKK 11 million in Q4 2022.

For the full year 2023, the investment result after interest on technical provisions was a gain of DKK 364 million, against a loss of DKK 373 million in 2022.

The investment result was generally satisfactory, reflecting positive financial market developments during most of 2023 in spite of sustained geopolitical tension with several hotspots around the world. Financial market trends reflect expectations of a soft landing for the global economy and growing expectations of rate cuts driven by signs of falling global inflation.

Total investment assets amounted to DKK 22.0 billion at 31 December 2023, against DKK 21.8 billion at 31 December 2022. Investment assets are distributed on Danish and international bonds, equities, mortgage deeds, illiquid credit and property investments.

The overall goal is to achieve a satisfactory risk-return balance based on a relatively conservative investment strategy.

The return on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) discount curve plus a volatility adjustment (VA) premium. The asset portfolio for hedging interest rate risk on provisions is composed so as to match the fluctuations on provisions occurring in step with market changes in the underlying components of the yield curve. In 2022, the hedging strategy was challenged by the exceptionally large interest rate increases and the resulting deviations between the composition of the most important component of the VA adjustment – mortgage bonds with the largest proportion of bonds in circulation – and the coupon on callable bonds.

Alm. Brand Group generally manages its investments on the basis of a conservative investment strategy with relatively limited exposure to equities. Normally, the group's investment result will track the return on the portfolio not allocated to hedging of provisions and only to a lesser extent developments in the result of interest hedging in the hedging portfolio.

Investment return

DKKm	Q4 2023			Q4 2022		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	19,353	629	3.3%	19,419	75	0.4%
Illiquid credit including mortgage deeds	1,432	38	2.7%	1,488	14	0.9%
Shares	831	53	6.4%	522	44	8.4%
Properties	355	-8	-2.3%	373	-11	-2.9%
Total investment return	**21,971**	**712**	**3.2%**	**21,802**	**122**	**0.6%**
Interest, Tier 2 capital		-20			-13	
Administrative expenses related to investment activities		-7			-9	
Return on and value adjustment of technical provisions		-545			-111	
Net investment return		**140**			**-11**	

DKKm	2023			2022		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	19,353	979	5.1%	19,419	-987	-5.1%
Illiquid credit including mortgage deeds	1,432	93	6.5%	1,488	-29	-1.9%
Shares	831	100	12.0%	522	-74	-14.2%
Properties	355	-18	-5.1%	373	5	1.3%
Total investment return	**21,971**	**1,154**	**5.3%**	**21,802**	**-1,085**	**-5.0%**
Interest, Tier 2 capital		-73			-19	
Administrative expenses related to investment activities		-34			-32	
Return on and value adjustment of technical provisions		-683			763	
Net investment return		**364**			**-373**	

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 31 December 2023.

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

In our opinion, the interim report gives a true and fair view of the group’s assets, liabilities and financial position at 31 December 2023 and of the group’s cash flows for the period 1 January to 31 December 2023.

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

Executive Management

Copenhagen, 8 February 2024

Rasmus Werner Nielsen
CEO

Anne Mette Toftegaard
Deputy CEO

Board of Directors

Copenhagen, 8 February 2024

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Boris Nørgaard Kjeldsen

Pia Laub

Tina Schmidt Madsen

Jais Valeur

Brian Egested

Claus Nexø Jensen

Henriette Pedersen

Lotte Kathrine Sørensen

Income statement

DKKm	Q4 2023	Q4 2022	FY 2023	FY 2022
				Group
Insurance revenue	3,610	3,771	14,350	12,262
Insurance service expenses	-3,100	-3,357	-12,326	-10,921
Reinsurance result	-191	-74	-688	-412
Insurance service result	**319**	**340**	**1,336**	**929**
Interest income and dividens, ect.	72	48	281	163
Value adjustments	692	93	1,003	-1,249
Interest expenses	-51	-24	-175	-55
Other income	5	6	19	26
Administrative expenses related to investment activities	-47	-50	-161	-150
Total investment return	**671**	**73**	**967**	**-1,265**
Return on and value adjustment of technical provisions, gross	-556	-117	-705	764
Return on and value adjustment of technical provisions, reinsurance	11	6	22	-1
Total investment return after return on and value adjustment on technical provisions	**126**	**-38**	**284**	**-502**
Other income	48	71	227	172
Other expenses	-298	-248	-966	-835
Profit/loss before tax	**195**	**125**	**881**	**-236**
Tax	-75	1	-269	66
Profit/loss after tax, continuing activities	**120**	**126**	**612**	**-170**
Profit/loss after tax, discontinuing activities *)	0	0	0	544
Profit/loss after tax	**120**	**126**	**612**	**374**
Earnings per share, DKK, continuing activities	0.1	0.1	0.4	-0.1
Diluted earnings per share, DKK, continuing activities	0.1	0.1	0.4	-0.1
Earnings per share, DKK	0.1	0.1	0.4	0.2
Diluted earnings per share, DKK	0.1	0.1	0.4	0.2

Statement of comprehensive income

DKKm	Group Q4 2023	Q4 2022	FY 2023	FY 2022
Comprehensive income				
Profit for the period	120	126	612	374
Items that are or may be reclassified to profit or loss				
Foreign currency translation adjustments related to foreign entities	0	0	0	-2
Total other comprehensive income	**0**	**0**	**0**	**-2**
Comprehensive income	**120**	**126**	**612**	**372**
Proposed allocation of profit/loss:				
Proposed dividend	848	462	848	462
Additional Tier 1 capital holders	7	4	25	7
Share attributable to Alm. Brand	-735	-340	-261	-97
Comprehensive income	**120**	**126**	**612**	**372**

Balance sheet

	Group	
DKKm	31 December 2023	31 December 2022
Assets		
Intangible assets	**10,339**	**10,764**
Tangible assets	**844**	**914**
Investments in associates	**135**	**144**
Equities	253	722
Unit trust units	20,372	19,469
Bonds	703	535
Mortage deeds	380	433
Other loans and advances	277	311
Deposits in credit institutions	291	31
Other	431	491
Other investments assets	**22,707**	**21,992**
Reinsurance deposits	0	0
Investments assets	**22,707**	**21,992**
Reinsurers' share of insurance contract provisions	**470**	**457**
Current tax assets	58	67
Other assets	721	794
Cash in hand and demand deposits	288	458
Total assets	**35,562**	**35,590**

Balance sheet

DKKm	Group 31 December 2023	31 December 2022
Liabilities and equity		
Share capital	1,541	1,541
Reserves, retained earnings, ect.	11,158	11,445
Propsed dividend	848	462
Consolidated shareholders' equity	13,547	13,448
Tier 1 capital	397	397
Total consolidated equity	**13,944**	**13,845**
Subordinated debt	**1,294**	**1,294**
Provisions for insurance contracts	**17,064**	**16,633**
Deferred tax liabilities	863	909
Other provisions	76	57
Provisions	**939**	**966**
Issued bonds	150	150
Payables to credit institutions and central banks	149	143
Other payables	2,022	2,558
Payables	**2,321**	**2,852**
Total liabilities	**35,562**	**35,590**

Note 1 Own shares
Note 2 Contractual obligation and leasing
Note 3 Fair value measurement of financial instruments
Note 4 Accounting policies
Note 5 Financial highlights and key ratios

Statement of changes in equity

DKKm	Share capital	Contin-gency funds	Other provi-sions etc.	Retained profit	Proposed dividend	Share-holders equity	Additional tier 1 capital	Consoli-dated equity
Consolidated equity, 1 January 2022	**1,541**	**182**	**0**	**11,521**	**462**	**13,706**	**0**	**13,706**
Change in accounting policies				79		79		79
Adjusted shareholders' equity at 1 January 2022	**1,541**	**182**	**0**	**11,600**	**462**	**13,785**	**0**	**13,785**
Changes in equity 2022:								
Profit/loss for the year				367	0	367	7	374
Foreign currency translation adjustments related to foreign entities			-2	0		-2		-2
Comprehensive income	0	0	-2	367	0	365	7	372
Disposals relating to divestment of Alm. Brand Liv og Pension		-101		101		0		0
Additions relating to acquisition of Codan		1,395	2	-1,397		0		0
Effect of changed accounting policies on Codan addition				133		133		133
Tax on contingency funds		-384		18		-366		-366
Tier 1 capital							397	397
Interest paid on Tier 1 capital							-7	-7
Proposed dividend				-462	462	0		0
Dividend distributed				0	-462	-462		-462
Purchase and sale of treasury shares				-7		-7		-7
Changes in equity	**0**	**910**	**0**	**-1,247**	**0**	**-337**	**397**	**60**
Consolidated equity, 31 December 2022	**1,541**	**1,092**	**0**	**10,353**	**462**	**13,448**	**397**	**13,845**
Consolidated equity, 1 January 2023	**1,541**	**1,092**	**0**	**10,353**	**462**	**13,448**	**397**	**13,845**
Changes in equity FY 2023:								
Profit/loss for the period				587		587	25	612
Comprehensive income	0	0	0	587	0	587	25	612
Dividend distributed				0	-462	-462		-462
Proposed dividend				-848	848	0		0
Interest paid on Tier 1 capital				0		0	-25	-25
Purchase and sale of treasury shares				-26		-26		-26
Changes in equity	**0**	**0**	**0**	**-287**	**386**	**99**	**0**	**99**
Consolidated equity, 31 December 2023	**1,541**	**1,092**	**0**	**10,066**	**848**	**13,547**	**397**	**13,944**

Cash flow statement

DKKm	FY 2023	FY 2022
Cash flows from operating activities		
Insurance revenue	11,806	8,286
Insurance service expenses	-10,361	-8,370
Payments concerning reinsurance	-703	9
Cash flows from insurance activities	**742**	**-75**
Interest receivable, dividends, etc.	224	218
Interest expenses	-175	-55
Other income and expenses	-382	117
Taxes paid/received	-301	-19
Cash flows from operating activities, continuing activities	**109**	**186**
Cash flows from operating activities, discontinuing activities	0	-38
Cash flows from operating activities	**109**	**148**
Change in investment placement (net)		
Acquisition of intangible assets, furniture, equipment, etc.	0	3
Sale/aquisition of equity investments	431	-10,651
Acquisition of group enterprise	0	-13,347
Divestment of group enterprise	0	1,107
Sale/repayment of mortgage deeds and loans	64	-161
Sale/aquisition of bonds	-31	23,332
Change in investment placement, continuing activities	**464**	**283**
Change in investment placement, discontinuing activities	0	164
Change in investment placement	**464**	**447**

Group	FY 2023	FY 2022
Change in financing		
Change in Tier capital	-25	390
Sale/purchase of treasury shares	-26	-7
Dividend distributed	-462	-462
Repayment of subordinated debt	0	-1
Change in payables to credit institutions	6	-179
Change in other liabilities	25	26
Change in financing, continuing activities *)	**-482**	**-233**
Change in financing, discontinuing activities	0	-150
Change in financing	**-482**	**-383**
Net change in cash and cash equivalents, continuing activities	**91**	**236**
Net change in cash and cash equivalents, discontinuing activities	**0**	**-24**
Disposals relating to divestment	**0**	**-154**
Cash and cash equivalents, beginning of period, discontinuing activities	**0**	**178**
Additions relating to acquisition of Codan	**0**	**143**
Cash and cash equivalents, beginning of period, continuing activities	488	110
Cash and cash equivalents, end of period	**579**	**489**

*) The amount of DKK 482 million consists only of cash inflows og outflows.

Segment reporting

DKKm	Personal	Commercial	Non-life	Other	Elimi-nation	Group before adjustments	IFRS 3 adjustments	Group
								FY 2023
Insurance revenue	5,268	6,516	11,784	0	0	11,784	2,566	14,350
Claims paid	-3,525	-4,036	-7,561	0	0	-7,561	-2,566	-10,127
Net operating expenses	-1,136	-1,063	-2,199	0	0	-2,199	0	-2,199
Insurance service expenses	**-4,661**	**-5,099**	**-9,760**	**0**	**0**	**-9,760**	**-2,566**	**-12,326**
Reinsurance result	-122	-566	-688	0	0	-688	0	-688
Insurance service result	**485**	**851**	**1,336**	**0**	**0**	**1,336**	**0**	**1,336**
Interest income and dividens, ect.			271	83	-73	281	0	281
Value adjustments			984	19	0	1,003	0	1,003
Interest expenses			-175	-73	73	-175	0	-175
Other income			0	19	0	19	0	19
Administrative expenses related to investment activities			-35	-126	0	-161	0	-161
Total investment return			**1,045**	**-78**	**0**	**967**	**0**	**967**
Return on and value adjustment of technical provisions, gross			-705	0	0	-705	0	-705
Return on and value adjustment of technical provisions, reinsurance			22	0	0	22	0	22
Total investment return after return on and value adjustment on technical provisions			**362**	**-78**	**0**	**284**	**0**	**284**
Other income			227	0	0	227	0	227
Other expenses			-608	-358	0	-966	0	-966
Profit/loss before tax			**1,317**	**-436**	**0**	**881**	**0**	**881**
Tax			-354	85	0	-269	0	-269
Profit/loss after tax			**963**	**-351**	**0**	**612**	**0**	**612**

Segment reporting

DKKm	Personal	Commercial	Non-life	Other	Elimi-nation	Group before adjustments	IFRS 3 adjustments	Group
								FY 2022
Insurance revenue	4,272	5,292	9,564	0	0	9,564	2,698	12,262
Claims paid	-2,658	-3,833	-6,491	0	0	-6,491	-2,698	-9,189
Net operating expenses	-897	-835	-1,732	0	0	-1,732	0	-1,732
Insurance service expenses	**-3,555**	**-4,668**	**-8,223**	**0**	**0**	**-8,223**	**-2,698**	**-10,921**
Reinsurance result	-75	-337	-412	0	0	-412	0	-412
Insurance service result	**642**	**287**	**929**	**0**	**0**	**929**	**0**	**929**
Interest income and dividens, ect.			145	37	-19	163	0	163
Value adjustments			-1,206	-43	0	-1,249	0	-1,249
Interest expenses			-43	-31	19	-55	0	-55
Other income			0	26	0	26	0	26
Administrative expenses related to investment activities			-42	-108	0	-150	0	-150
Total investment return			**-1,146**	**-119**	**0**	**-1,265**	**0**	**-1,265**
Return on and value adjustment of technical provisions, gross			764	0	0	764	0	764
Return on and value adjustment of technical provisions, reinsurance			-1	0	0	-1		-1
Total investment return after return on and value adjustment on technical provisions			**-383**	**-119**	**0**	**-502**	**0**	**-502**
Other income			172	0	0	172	0	172
Other expenses			-588	-247	0	-835	0	-835
Profit/loss before tax, continuing activities			**130**	**-366**	**0**	**-236**	**0**	**-236**
Tax, continuing activities			-12	78	0	66	0	66
Profit/loss after tax, continuing activities			**118**	**-288**	**0**	**-170**	**0**	**-170**
Profit/loss after tax, discontinuing activities *)			544	0	0	544	0	544
Profit/loss after tax			**662**	**-288**	**0**	**374**	**0**	**374**

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

Notes

DKKm	Group FY 2023	 FY 2022
Note 1 Treasury shares		
Nominal value, beginning of year	0	0
Acquired during the year	6	3
Sold during the year	-4	-3
Nominal value, end of year	**2**	**0**
Holding number of shares ('000), beginning of period	117	49
Additions, number of shares	5,689	3,150
Disposals, number of shares	-3,768	-3,082
Holding number of shares ('000), end of year	**2,038**	**117**
Percentage of share capital, end of year	**0.1%**	**0.0%**
Note 2 Contractual obligation and leasing		
Contractual obligation	1,581	664

The Alm. Brand Group is contractually obliged to pay rent of DKK 342 million over the next five years. The obligation is recognised in Other liabilities as a lease obligation.

The companies of the group have undertaken to participate in investing in unlisted securities at an amount of DKK 1.007 million.

Notes

DKKm	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
			31 December 2023				31 December 2022	
Note 3 Fair value measurement of financial instruments								
Financial assets								
Loans and advances	0	0	657	657	0	0	744	744
Bonds	0	703	0	703	0	535	0	535
Shares and unit trust units	19,415	0	1,210	20,625	19,004	0	1,187	20,191
Other assets	0	840	0	840	0	564	0	564
Total financial assets	**19,415**	**1,543**	**1,867**	**22,825**	**19,004**	**1,099**	**1,931**	**22,034**
Financial liabilities								
Subordinated debt	0	0	1,691	1,691	0	0	1,691	1,691
Issued bonds	0	0	150	150	0	0	150	150
Other payables	0	723	0	723	0	827	0	827
Total financial liabilities	**0**	**723**	**1,841**	**2,564**	**0**	**827**	**1,841**	**2,668**

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

Level 1 is based on quoted (unadjusted) prices in active markets.
Level 2 is used where no quoted price is available but where the use of another official price is deemed to best reflect the fair value. In the case of listed securities for which the closing price does not represent fair value, valuation techniques or other observable data are used to determine fair value. Depending on the nature of the asset or liability, these may be calculations based on underlying parameters such as yields, exchange rates and volatility or with reference to transaction prices for similar instruments.
Level 3 is used for financial assets and liabilities the valuation of which cannot be based on observable data due to such data not being available or not being deemed to be usable for the determination of fair value. Instead recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value.

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

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement. The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. There were no transfers between categories in the fair value hierarchy in 2022 or 2023.

Notes

DKKm	Loans and advances	Shares and unit trust units	Issued bonds (liability)	31 December 2023 Subor-dinated debt (liability)
Development in level 3 financial instruments				
Carrying amount, beginning of period	744	1,187	150	1,691
Additions during the year	7	139	0	0
Disposals during the year	-123	-57	0	0
Realised value adjustments	22	-119	0	0
Unrealised value adjustments	7	60	0	0
Carrying amount, end of period	**657**	**1,210**	**150**	**1,691**
Value adjustments recognised in the income statement	29	-59	0	0

DKKm	Loans and advances	Shares and unit trust units	Issued bonds (liability)	31 December 2022 Subor-dinated debt (liability)
Development in level 3 financial instruments				
Carrying amount, beginning of year	583	400	150	1,295
Additions during the year	4	291	0	400
Additions during the year relating to acquisition of subsidiary	360	644	0	0
Disposals during the year	-104	-152	0	0
Realised value adjustments	7	-1	0	0
Unrealised value adjustments	-106	5	0	-4
Carrying amount, year-end	**744**	**1,187**	**150**	**1,691**
Value adjustments recognised in the income statement	-99	4	0	-4

Notes

NOTE 4 ACCOUNTING POLICIES

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

Change in accounting policies

Alm. Brand Group has implemented IFRS 17 Insurance contracts effective from 1 January 2023. IFRS 17 replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts issued and held.

IFRS 17 defines an insurance contract as a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder). Insurance contract services are services that the issuer provides to a policyholder as coverage for an insured event. According to IFRS 17, significant insurance risk must be involved. All insurance contracts issued by Alm. Brand Group are assessed to involve significant risk and consequently fall within the scope of the rules and provisions applicable under IFRS 17.

In connection with the implementation of IFRS 17, the calculation of claims provisions and premium provisions will be amended, and new concepts will be introduced relative to the previous standard “IFRS 4 Insurance contracts” (IFRS 4). IFRS 17 prescribes two methods of measuring insurance contracts, the General Measurement Model (GMM) and the Premium Allocation Approach (PAA).

The GMM is the standard approach to calculating insurance contracts, according to which insurance contracts with similar characteristics (risk) are to be grouped and the present value of future cash flows from the insurance contracts to be calculated.

The PAA is a simplified version of the GMM which may be used if a number of conditions have been met.

Generally speaking, the key differences between the two methods are, for example, that the PAA involves simpler calculation of provisions for the remaining coverage period in line with the previous policies as well as fewer reporting requirements. The PAA entails methods and requirements which in many ways are consistent with IFRS 4.

The PAA may be used for insurance contracts with a coverage period of one year or less as the effect of discounting on the provision for these will be limited. However, the PAA can also be used for insurance contracts with a coverage period of more than one year, provided it can be documented that measurement of technical provisions according to the PAA will not produce a materially different result than measurement according to the GMM.

Alm. Brand Group recognises all policies with a coverage period of one year or less under the PAA. The product groups Change of Ownership, Construction Policies and Technical Lines (construction policies for renewable energy) have contracts with a coverage period of more than one year. For these groups of contracts, PAA tests have been carried out to assess whether the conditions for using the PAA have been met. All product groups have proved to meet the conditions for using the PAA.

Alm. Brand Group has thus chosen to use the PAA for the entire insurance portfolio, which in many ways is similar to Alm. Brand Group’s previous accounting policies. This means that the future insurance service results of Alm. Brand Group are not expected to change significantly as a result of the transition to IFRS 17. Changes will primarily be in the form of changes in the presentation of the income statement and the balance sheet.

In 2022, Alm. Brand Group sold Alm. Brand Liv & Pension A/S, the results and gains from which were classified under “Assets held for sale” throughout 2022. The transition to IFRS 17 has had no effect on this.

The effect of the transition to IFRS 17 recognised in equity as a result of changes in accounting policies is shown below. The changed format is reflected on page 28.

Effect of new accounting policies

	Shareholder’s equity			Financial results
	1 January	1 May	31 December	FY
DKKm	**2022**	**2022**	**2022**	**2022**
Accounting policies, Annual Report 2022	13,706		13,765	506
Changes, IFRS 17	79	133	80	-132
Accounting policies, 2023	**13,785**	**133**	**13,845**	**374**

Notes

Effects of recognition under IFRS 17 are based on updated estimates. These assumptions, assessments and actuarial methods may be changed in the period until the release of Alm. Brand Group's annual report for 2023. Significant accounting estimates and assumptions for Alm. Brand Group are described in note 41 to the financial statements for 2022.

Presentation

Balance sheet

As compared with IFRS 4, the balance sheet presentation under IFRS 17 is generally unchanged from prior years, with a few exceptions. Receivables and payables related to insurance and reinsurance contracts are now included in the measurement of technical provisions and reinsurance assets and will therefore no longer be presented as independent line items. Whereas technical provisions were previously split on different components in the balance sheet, they are now combined in one line item and presented separately in the notes. In addition, a few line items have been renamed.

Income statement

The income statement under IFRS 17 has not changed significantly compared with IFRS 4. IFRS 17 requires few recognition and measurement changes and a limited number of reclassifications as described below.

Insurance revenue

Insurance revenue replaces "gross premium income" and comprises premium income earned during the reporting period. Insurance revenue contains the following changes relative to the previously applied policies:

Bonus and premium discounts

Bonus and premium discounts were previously presented in a separate line item in the income statement and were included in premiums in the calculation of technical key figures. Under IFRS 17, bonus and premium discounts are no longer to be included in premiums, but to be recognised in the line item "Insurance service expenses". This means that bonus and premium discounts are not presented separately and will now be recognised in insurance service expenses instead of premiums in connection with the calculation of technical key figures. The effect of this change is not expected to have any significant impact on Alm. Brand Group.

Discounting

Under IFRS 4, discounting of premium provisions had opposing effects on premium provisions and the investment result. Under IFRS 17, Alm. Brand Group has chosen not to discount premium provisions, except for loss components.

Onerous contracts

Under IFRS 4, loss components related to onerous contracts were recognised in premium provisions, and subsequent changes were recognised in gross premiums. Under IFRS 17, loss components are no longer to be included under premium provisions, but are to be accounted for separately as an independent element of technical provisions. Subsequent changes to onerous contracts are to be included under insurance service expenses in future.

Insurance service expenses

Insurance service expenses comprises claims expenses, administrative expenses and acquisition costs. The transition to IFRS 17 has resulted in a few classification changes within claims expenses, administrative expenses and acquisition costs.

Under IFRS 4, inflation swaps used to hedge wage indexation on workers' compensation insurance were presented under claims expenses. Under IFRS 17, however, inflation swaps must be presented under the investment result instead of under the insurance service result. As a result, inflation swaps entered into for the purpose of reducing the inflation effect have been reclassified from gross claims expenses to investment result. This only affects the 2022 figures, as Alm. Brand Group currently has no inflation swaps.

Under IFRS 17, training and development expenses not directly attributable to the insurance portfolio must be reclassified from insurance service result to the line item "Other costs", which is presented after the insurance service result.

Alm. Brand Group will make no changes to its existing policies, thus expensing acquisition costs as incurred for the majority of the insurance contracts. For construction policies involving multiyear contracts, acquisition costs are expensed over the life of the contract.

Acquired portfolio

The insurance contracts taken over in connection with the acquisition of Codan on 1 May 2022 are to be treated in accordance with the provisions of IFRS 3 and IFRS 17 concerning acquired insurance contracts. This will affect the consolidated income statement and the consolidated balance sheet.

As the date of acquisition of Codan is within the transition period from 1 January 2022 to 31 December 2022, IFRS 17 requires the insurance contracts to be measured in accordance with the conditions and assumptions prevailing at the date of acquisition and not the original conditions and assumptions.

IFRS 17 does not permit that the acquired contracts are grouped together with newly issued contracts going forward. This means that the acquired insurance contracts may be grouped and measured together as a separate portfolio during the entire coverage period.

Notes

The requirement under IFRS 17 furthermore affects provisions in the acquired portfolio in case a claim has already occurred.

Codan originally wrote the policies based on a risk assessment that a given insured event/claim could occur. At the time when Alm. Brand acquired the portfolio, the acquisition was deemed to constitute the conclusion of a new contract. The risk acquired by Alm. Brand was thus the risk that inadequate provisions had been made to cover the run-off on claims incurred, not the risk of incurring the claims.

The acquired claims provisions must thus be treated as a provision for the remaining coverage period (premium provision) at the date of acquisition and not as claims provisions. In simple terms, the claims provisions were reclassified as at 1 May 2022 to premium provisions.

As the acquired claims provisions according to IFRS 17 are to be classified as premium provisions, this also means that the PAA can no longer be used for the acquired portfolio, as the coverage period of the acquired contracts now equals the payout period. For the product "loss of earning capacity/workers' compensation", for instance, for which the coverage period far exceeds one year, discounting thus becomes material. The acquired claims provisions should therefore be measured as insurance contracts according to the GMM.

The measurement of Codan's provisions at the date of acquisition will be identical using the GMM method and the PAA method, the only difference thus being in the classification in the balance sheet between premium and claims provisions.

In the subsequent recognition in the income statement, "Insurance revenue" and "Insurance expenses" will increase as and when the liabilities are settled. This will have an effect on "Insurance revenue" and "Insurance expenses", which will be particularly high in the first year, after which the effect will decrease.

Under IFRS 17, the acquisition of an insurance company with an associated claims provision is considered as a new insurance risk which occurs and is transferred in the transaction with the seller, and the total compensation for the risk transfer is thus included in the purchase price. Such a contract is treated on an equal footing with individual contracts in the legal entities, only for the consolidated financial statements in isolation. The balance sheet will be largely unaffected, but in the group's income statement revenue will increase for a number of years by the run-off on the compensation amount and claims expenses will be increased by the run-off on the liability. The accrual takes place in step with the expected cash flows on the acquired liability. The effect on the consolidated financial statements will be that, over time, the acquired claims provision from Codan will be included in the consolidated income statement under both income and expenses until the claims provisions have been fully settled.

This recognition and measurement of the acquired portfolio in the consolidated income statement will result in artificially high insurance revenue and insurance expenses.
In future, when commenting on and presenting financial results in the management's review, Alm. Brand Group will thus disregard this effect. The special rules for acquired claims provisions are not expected to have any significant effect on the group's consolidated financial results or equity.

The presentation of financial results will thus be similar to the existing financial highlights and key ratios for both Alm. Brand Forsikring and Codan under the current IFRS 4.

Capitalisation and dividend
Alm. Brand Group's solvency and financial condition are not expected to be affected by the transition to IFRS 17, as provisions and total capital are still to be calculated in accordance with the Solvency II provisions.

Similarly, the group's dividend potential is expected to remain unchanged.

Notes

FY 2022

DKKm	IFRS 4	Change	IFRS 17
Gross premiums written	8,380		
Change in premium provisions, profitmargin and risk margin	1,206		
Insurance revenue	**9,586**	**2,676**	**12,262**
Claims paid, gross	-6,215		
Change in provisions for claims and risk margin	-126		
Bonus og premium discounts	5		
Acquisition costs and administrativ expenses	-1,778		
Insurance service expenses	**-8,114**	**-2,807**	**-10,921**
Premium ceded to reinsurers	-308		
Change in provisions for unearned premiumsn reinsurers' share	-335		
Claims paid, reinsurers' share	441		
Change in provisions for claims, reinsurers' share	-189		
Reinsurance commissions and profit participation	6		
Profit/loss on reinsurance	**-385**	**-27**	**-412**
Insurance service result	**1,087**	**-158**	**929**
Total investmen return after return on and value adjustment on on technical provisions	**-540**	**38**	**-502**
Other income	172		172
Other expenses	-780	-55	-835
Profit/loss before tax, continuing activities	**-61**	**-175**	**-236**
Tax, continuing activities	23	43	66
Profit/loss after tax, continuing activities	**-38**	**-132**	**-170**
Profit/loss after tax, discontinuing activities	544		544
Profit/loss after tax	**506**	**-132**	**374**

Group	IFRS 4	Change	IFRS 17
Intangible assets	10,764		10,764
Tangible assets	914		914
Investments in associates	144		144
Investment assets	21,992		21,992
Reinsurers' share of insurance contract provisions	598	-141	457
Receivables	1,727	-1,148	579
Other assets	525	10	535
Prepayments	205		205
Total assets	**36,869**	**-1,279**	**35,590**
Total consolidatede equity	13,765	80	13,845
Subordinated debt	1,294		1,294
Provisions for insurance contracts	17,649	-1,017	16,632
Provisions	971	11	982
Payables	3,161	-353	2,808
Accruals ande deferred income	29		29
Total liabilities	**36,869**	**-1,279**	**35,590**

Notes

Intangible assets

Goodwill

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

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

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

Brand value and customer relationships

Brand value and customer relationships acquired in connection with the business combination are recognised as separate identifiable intangible assets. The fair value of brands is calculated based on the relief from royalty method using a percentage rate of two and an expected useful life of ten years. The fair value of customer relationships is calculated based on expected earnings and the useful life of customer relationships and expected future earnings. Customer relationships are amortised over a period of eight years, reflecting their expected useful life.

Additional Tier 1 capital

Capital issued with a perpetual term and without a contractual obligation to make repayments of principal and pay interest does not qualify as a financial liability. Additional Tier 1 capital is therefore accounted for as equity. The net amount of additional Tier 1 capital at the time of issue is recognised as an increase in equity. The payment of interest is treated as dividend and recognised directly in equity at the time when the liability arises. Upon redemption of the additional Tier 1 capital, shareholders' equity will be reduced by the redemption amount at the time of redemption.

NOTE 5 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management's review.

DISCLAIMER

The forecast is based on the interest rate and price levels prevailing at the beginning of February 2024. All other forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts.

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

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

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

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

Definitions of financial ratios and Alternative Performance Measures (APM)

Alm. Brand's management believes that the use of financial highlight and key ratios in the management's review in respect of each business area provides the reader with a good basis for comparing results over time. The financial highlights and key ratios have been prepared on the basis of the statutory requirements for content and are supplemented by individual pieces of relevant information. The information provided in the financial highlights and key ratios contain data regularly provided to management. In the review, income from the TSA is included in the insurance service result of Non-life Insurance. In the financial statements, such income is included under 'Other income'.

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

Insurance revenue
Insurance revenue is calculated as gross premiums adjusted for changes in premium provisions.

Gross claims ratio

$$\frac{\text{Gross claims expenses x 100}}{\text{Insurance revenue}}$$

Gross expense ratio

$$\frac{\text{Insurance operating expenses x 100}}{\text{Insurance revenue}}$$

Price/NAV

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

Combined ratio

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

Return on equity after tax*

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

Return on equity before tax*

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

Net asset value per share**

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

Net reinsurance ratio

$$\frac{\text{Profit/loss on reinsurance x 100}}{\text{Insurance revenue}}$$

Earnings per share**

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

Claims ratio

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

Dividend per share

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

Payout ratio
The payout ratio is calculated as proposed dividend as a percentage of the profit after tax adjusted for integration costs, amortisation of intangible assets and other special circumstances, if relevant.

RoTe (Return on Tangible Equity)
Profit after tax adjusted for amortisation and impairment of intangible assets as a percentage of consolidated equity excluding Tier 1 capital and intangible assets.

ALTERNATIVE PERFORMANCE MEASURES (APM)

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

Underlying claims ratio
Underlying combined ratio less expense ratio

Major claims, net of reinsurance

$$\frac{\text{Major claims, net of reinsurance}}{\text{Insurance revenue}}$$

Weather-related claims, net of reinsurance

$$\frac{\text{Weather-related claims, net of reinsurance}}{\text{Insurance revenue}}$$

Change in risk margin

$$\frac{\text{Change in risk margin}}{\text{Insurance revenue}}$$

COVID-19 effect

$$\frac{\text{Estimated effect of COVID-19 on claims expenses}}{\text{Insurance revenue}}$$

*) In the calculation of return on equity, consideration is made for capital increases in the year and any other equity entries to the effect that such changes are included on a pro rata basis. In addition, adjustments are made for special costs.
**) In the determination of the average number of shares, any stock options and warrants are taken into consideration.

Company information

Board of Directors

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Boris Nørgaard Kjeldsen

Pia Laub

Tina Schmidt Madsen

Jørn Pedersen

Jais Valeur

Brian Egested
Employee representative

Claus Nexø Jensen
Employee representative

Henriette Pedersen
Employee representative

Lotte Kathrine Sørensen
Employee representative

Executive Management

Rasmus Werner Nielsen
CEO

Anne Mette Toftegaard
Deputy CEO

Auditors

EY
Godkendt Revisionspartnerselskab

Internal auditor

Morten Bendtsen
Group Chief Auditor

Registration

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