

Bank | Forsikring | Pension

*Alm*  
Brand

ALM. BRAND

---

Interim report  
the fourth quarter

2018

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

# Contents

**03**

*Group companies*

**04**

*Introduction*

**06**

*Management's review*

- 06 Alm. Brand Group
- 10 Financial highlights and key ratios
- 11 Non-life Insurance
- 18 Life Insurance
- 23 Banking

**29**

*Statement by the Board of  
Directors and the Management  
Board*

**30**

*Interim report – Group*

- 30 Income statement
- 31 Statement of comprehensive income
- 32 Balance sheet
- 33 Statement of changes in equity
- 34 Capital target
- 35 Cash flow statement
- 36 Segment reporting
- 38 Notes

**45**

*Interim report – Parent company*

- 45 Income statement
- 46 Balance sheet
- 48 Statement of changes in equity
- 49 Notes

**50**

*Company information*

# Group companies

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



**Denmark's**  
**4th largest insurer**

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

**Life Insurance 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 nation-wide coverage and is focused on providing banking products and services to private customers and small and medium-sized enterprises, bond, equity and currency trading and research and asset management services as well as leasing of cars to private and commercial customers.

# Ready for a *new customer experience*

**Excellent financial results and very strong growth characterised our performance in 2018. Our group's strategy, **Alm. Brand for the Customer**, has now been firmly implemented, and the new customer experience we have envisioned will truly begin to unfold in 2019.**

In 2017 and 2018, we were focused on creating the foundation necessary to achieve the group's digital strategy, which is to ensure efficient digital processes and coherent administration and CRM systems. The goal is to develop efficient systems capable of digitally handling as many business processes as possible and making it possible to assist and serve our customers across the full spectrum of their financial needs.

## **Ready for a significantly improved customer experience**

The entirely new customer experience we have envisioned started to become visible to customers in 2018. We established the first advisory centres where customers can get advice on all aspects of their financial situation and where ensuring coherence and optimisation of customer finances is a top priority. We also launched a new website designed to cater to our customers' needs and everyday lives and introduced a series of new products that digitally ensure that individual customer needs are met. We are extremely pleased with the very positive response we have received from our customers, among other things reflected in the group's high customer satisfaction and loyalty ratings and in the growth in customer numbers reported.



In order to help customers across the full spectrum of their financial needs, they must do business with us in at least two of our business areas. In 2018, the number of group-wide customers increased, and in particular the quality of their business – i.e. customer contact and loyalty to Alm. Brand – improved. It is also imperative that we are able to grow our small business areas – Banking and Life Insurance – in order to make them more cost-efficient.

The group's acquisition of most of Saxo Privatbank's activities increased the bank's size by 30%, strengthened the product range and expanded the bank's business areas. The integration of the activities acquired from Saxo Privatbank was completed at the end of the year, and cost synergies to the tune of DKK 75 million are expected to crystallise in 2019.

Driven by a digitalisation and process-simplification move, Life Insurance also developed more efficient operations, and new initiatives have generated growth of 44% in life insurance operations.

### Focus on operations and growth

In spite of a negative investment result, the group's largest business area, Non-

life Insurance, reported excellent full-year financial results. The company generally has a low claims ratio and fair-sized run-off gains, supported by a steady level of claims due to the mild weather conditions in 2018. Non-life Insurance also experienced decent growth in spite of the very competitive market, which is testament to our skilled employees, strong products and services that create great value for our customers.

The performance of Life Insurance was also better than expected, maintaining a high bonus rate in spite of the fact that Alm. Brand Pension is offering the market's highest rates on policyholders' savings and the extremely volatile financial markets in 2018.

The historically low level of interest rates and the unpredictable and adverse financial market developments had a severe impact on the bank's performance. Lending was adversely affected by the low borrowing requirements among Danish consumers – especially since the bank does not want to compromise its customer creditworthiness requirements. High creditworthiness is indeed a key characteristic of the bank's customers, which

was the reason why many customers were advised to convert their bank loans to mortgage loans, as reflected in the significant increase in Totalkredit loans.

### Sustained strong distribution potential

We are very pleased to be able to distribute around DKK 670 million to the group's shareholders in respect of the 2018 financial year. The Board of Directors proposes to pay dividends of DKK 3 per share as well as to initiate a share buyback programme of about DKK 200 million.

### Ready for a stronger position

As mentioned above, we expect that in 2019 our customers will begin to feel and benefit from the group's many new strategic initiatives. In addition, the increased digitalisation of the entire group will simplify and improve processes and products, which, besides enhancing the customer experience, will ensure operational efficiency. In particular, the bank will experience substantial synergies from having increased in size. Moreover, the group will continue to invest in efficiency enhancements and strategic initiatives.

The group is strongly poised to face the competition and to create good results in the year ahead. However, it is also clear that the sustained highly unpredictable and volatile financial markets and the negative interest rate environment will have an adverse impact on the group's earnings in 2019.

We look forward to a year in which we expect to continue to generate strong consolidated financial results and to strengthen the group's position, driven by strong products, a high level of service, efficient systems and processes, a highly customer-centric strategy and dedicated employees, who rank among the most committed in the industry.

**Jørgen Hesselbjerg Mikkelsen**  
Chairman of the Board



**Søren Boe Mortensen**  
Chief Executive Officer



## Highly satisfactory profit of DKK 724 million.

### FINANCIAL RESULTS FOR FY2018

Alm. Brand posted a consolidated pre-tax profit of DKK 724 million in 2018, corresponding to a return on equity of 15%. The profit for the year was highly satisfactory overall and significantly better than expected at the beginning of the year.

The business areas Non-life Insurance and Life Insurance generated highly satisfactory results in 2018, both areas delivering strong growth. The bank's financial results were favourably affected by reversed impairment writedowns driven by favourable economic conditions, whereas the volatile investment markets and sustained low level of money market rates detracted from performance. The volatile investment markets in 2018 affected all of the group's business areas. Due to the profit composition, the bank's performance was not satisfactory.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 1.50 per share. This corresponds to a total dividend payout of DKK 470 million. In addition, a new share buyback programme of up to DKK 200 million will be initiated, which is expected to run until end-March 2020.

The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

This means that Alm. Brand will distribute a total of up to DKK 670 million based on the 2018 results. The total payout equals 118% of the profit for the year after tax.

### Non-life Insurance

Non-life Insurance posted a highly satisfactory pre-tax profit of DKK 652 million.

Relative to the exceptionally strong pre-tax profit of DKK 917 million reported in 2017, the 2018 performance was affected by a negative investment result and lower run-off gains. The performance was also affected by a DKK 30 million expense corresponding to our estimated share of the industry's aggregate expense resulting from the bankruptcy of Alpha Insurance. Adjusted for this expense, the performance was slightly better than the most recent guidance and significantly better than expected at the beginning of the year.

The combined ratio was 87.0 and was favourably affected by few weather-related claims as well as by run-off gains, while total claims expenses for major claims in 2018 was within the normal range of 7-8%.

Premiums increased by 2.3% in 2018 to total DKK 5,274 million. Both the private customer segment and the commercial customer segment contributed to the overall growth by 1.0% and 3.6%, respectively. The retention rate was also high in 2018, with an

upward trend in the commercial segment. Based on continued focus on profitability, Non-life Insurance recorded satisfactory growth, which was supported partly by high customer retention rates, partly by increased new and added sales of improved products. The growth achieved has resulted in growing market shares in the important motor insurance market and in workers' compensation insurance.

Non-life Insurance in 2018 continued the strategic activities to improve and re-develop the company's products. These activities will continue in the years ahead, supporting the group's strategic goals in terms of increased digitalisation of sales, service and claims processing.

The expense ratio was 17.2, which was in line with expectations. The expense ratio remained impacted by investments in digitalisation and growth.

The investment result was a loss of DKK 33 million, against a profit of DKK 112 million in 2017. The performance fell short of expectations and should be seen in light of the current market conditions. In addition, a narrowing of the yield spread in 2017 contributed to an exceptionally good result last year.

### Life Insurance

Life Insurance generated a highly satis-

factory pre-tax profit of DKK 104 million, against DKK 93 million in 2017. The performance was better than expected.

Regular payments were up by 8.8% to DKK 766 million, while single payments increased by 79.5% to DKK 1,238 million. The improvement was, among other things, due to fair growth in the corporate customer segment, which benefited from customers moving their entire portfolio to Alm. Brand Pension. In addition, there was an exceptionally high inflow of single payments on both corporate and private pension schemes.

The substantial growth in the corporate customer segment should be seen in the light of several strategic initiatives which have contributed to supporting developments. These include simplified access for customers via digitalisation in the underwriting process and a more simple process for the provision of health statements. Moreover, Life Insurance has adjusted prices on selected products with a view to improving its competitive strength.

The combination of volatile investment markets in 2018 and a rate on policyholders' savings of 5% caused the bonus rate to drop from 23.7% at 1 January 2018 to 18.6% at 31 December 2018. In addition, the company in 2018 increased provisions in response to increased longevity, among other things. The bonus rate

remains among the best in the market and enables the company to continue to offer a competitive rate on policyholders' savings. The rate on policyholders' savings for 2019 has been determined at 3.5%, which is still the market's highest rate.

### Banking

The bank reported a pre-tax profit of DKK 26 million, against DKK 67 million in 2017. Although in line with original expectations, the overall profit for 2018 was not satisfactory due to the profit composition.

The year was generally characterised by growing business activity in the bank, driven by organic growth and, in particular, by the acquisition of the majority of Saxo Privatbank A/S's activities on 1 April 2018. The integration of the Saxo Privatbank activities was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. As expected, no significant synergy benefits crystallised in 2018, whereas cost synergies to the tune of DKK 75 million before amortisation of customer relationships are expected for 2019.

The bank reported strong growth in new lending in 2018, and the number of Pluskunder (customers who have pooled all of their business with the bank) was up by 13%, not including former Saxo Privatbank customers. Including former Saxo Privatbank customers, the number

of Pluskunder increased by 34% and has now exceeded 21,000 customers measured in terms of households. Despite strong growth in new lending to customers, a large part of the increase was offset by repayment of loans, generally lower borrowing requirements and conversion of bank loans to Totalkredit mortgage loans, all of which affected net lending.

At 31 December 2018, lending totalled DKK 5.0 billion, marking an increase of DKK 1.3 billion relative to 2017, driven by the inflow of customers and lending from Saxo Privatbank.

Totalkredit loans amounted to DKK 15.3 billion at 31 December 2018, against DKK 8.6 billion in 2017, equivalent to an increase of DKK 6.7 billion. The improvement was mainly driven by the addition of the Totalkredit portfolio from Saxo Privatbank, while mortgage lending net of this addition increased by approximately 15%. As mentioned above, the considerable inflow comprises both new and existing customers' conversion of bank loans to mortgage loans.

The favourable economic climate with rising property prices and improved economic conditions for customers resulted in a DKK 86 million reversal of impairment writedowns. On the other hand, the volatile investment markets in 2018, in the fourth quarter in particular, adversely impacted the bank's trading income, and

the sustained low level of money market rates and the widening yield spread drove investment portfolio earnings into negative territory.

### Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations, reporting a loss of DKK 58 million, against a DKK 54 million loss in 2017.

### FINANCIAL RESULTS FOR Q4

The group posted a consolidated pre-tax profit of DKK 84 million in Q4 2018, as compared with a DKK 135 million profit in Q4 2017. The consolidated profit equalled a return on equity of 7% p.a.

Non-life Insurance generated a satisfactory profit of DKK 92 million, against DKK 132 million in Q4 2017. The performance was lifted by a better weather-related claims experience and a lower expense ratio than in Q4 2017. On the other hand, the performance was impacted significantly by a poor investment return, which was DKK 41 million lower than in Q4 2017, as well as by a DKK 30 million run-off loss triggered by the bankruptcy of Alpha Insurance.

The technical result was a profit of DKK 124 million in Q4 2018 (Q4 2017: DKK 123 million profit). The result was satisfactory and equalled a combined ratio of 90.7 (Q4 2017: 90.6).

The Q4 2018 expense ratio was 17.5, in line

with expectations. The expense ratio improved by 0.5 of a percentage point relative to Q4 2017, driven by portfolio growth. Life Insurance generated a pre-tax profit of DKK 22 million, as compared with DKK 12 million in Q4 2017. The Q4 2018 performance was better than expected, primarily driven by a decent risk result and business growth, which resulted in higher earnings from cost contributions.

The bank reported a loss of DKK 14 million in Q4 2018, against a profit of DKK 5 million in Q4 2017. Reversals of impairment writedowns lifted the performance due to a continued strengthening of customers' financial position. On the other hand, the widening of the yield spread impacted adversely on investment portfolio earnings, while volatile investment markets put the earnings level under pressure. The increase in costs was primarily attributable to the acquisition of the Saxo Privatbank activities, but also to increased costs for strategic development, higher IT costs for Bankdata and stricter statutory requirements. The performance fell short of expectations and was not satisfactory.

## 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 5,465 million at 31 December 2018. The internal capital target calculated at 31 December 2018 was DKK 4,715 million, corresponding to an excess coverage for the group of DKK 750 million, against DKK 39 million at 31 December 2017. After proposed dividends and the expected share buyback programme totalling DKK 670 million, the excess coverage relative to the internal capital target was DKK 80 million.

Alm. Brand Bank's capital target has been re-evaluated to reflect the current MREL requirement and developments in the combined capital buffer requirement, including the fact that the countercyclical buffer will be raised to 1% of the total risk exposure amount from Q3 2019. Alm. Brand Bank's capital target is thus to have eligible capital (including debt financing of MREL add-on) of at least 19% of the total risk exposure amount plus the phased-in MREL add-on.

With a view to financing the bank's future MREL add-on, a 2-year dedicated loan fa-

cility of DKK 250 million has been obtained from Alm. Brand af 1792 fmba. In continuation of this, the capital reservation for the MREL add-on is lowered from DKK 250 million to DKK 150 million. The remaining reservation covers the uncertainty persisting in respect of the residual financing over DKK 250 million.

## Capitalisation

DKKm	2018	2017*
Distributable total capital of the group	5,465	4,318
Internal capital target for the group	4,715	4,279
Excess relative to the capital target	750	39

\* The total capital at 31 December 2017 was reduced by the distributions made in respect of the 2017 financial year.

## MAJOR EVENTS

### Acquisition of the majority of Saxo Privatbank A/S's activities

On 5 February 2018, Alm. Brand entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities.

In connection with the acquisition, branches have been combined at locations in which Alm. Brand was already represented. Accordingly, branch combinations were completed Aarhus, Kolding, Esbjerg and Odense.

The integration of the Saxo Privatbank activities was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. These moves concluded a hectic year of combining operations and activities. As expected, no synergy benefits crystallised in 2018, whereas cost synergies to the tune of DKK 75 million before amortisation of customer relationships are expected for 2019.

### Launch of Alm. Brand Trader

In Q4 2018, the bank launched Alm. Brand Trader, which is a customer investment tool.

Alm. Brand Trader is an intuitive, simple and easy to use securities trading platform that provides access to most of the world's markets and as many products as possible. Alm. Brand Trader is highly competitive, offering some of the market's lowest brokerage rates and fees. This is a unique introduction for a Danish bank, and the launch is in line with the strategy of providing solutions for multiple-service customers, allowing them to combine their banking and investment business in a single feature.

### Share buybacks

Since 2015, the Alm. Brand Group has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates

proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 60%.

On 28 March 2018, Alm. Brand completed a DKK 300 million share buyback programme. On 30 April 2018, the group launched a new share buyback programme of up to DKK 200 million in aggregate, which runs until end-March 2019. At 31 December 2018, shares for a total amount of DKK 172 million had been bought back under the share buyback programme. A small portion is used for the existing share-based remuneration scheme.

A new share buyback programme of up to DKK 200 million is scheduled in respect of the 2018 financial year. This programme is expected to run until end-March 2020. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

### Share-based remuneration scheme

A new share-based remuneration scheme was offered to the group's employees in December 2018. The scheme runs for a period of one year with effect from 1 January 2019, and the shares will be granted on a quarterly basis, the first grant taking place in May 2019. The scheme represents a total market value of approximately DKK 33 million. Shares to be granted under the share-based remuneration scheme will be purchased in addition to the scheduled share buyback programme, and the pur-

chases have been approved separately by the Danish Financial Supervisory Authority.

### Bankruptcies of Alpha Insurance and Qudos Insurance

The Danish insurance market experienced two rare bankruptcies in 2018, as Alpha Insurance and Qudos Insurance were both declared bankrupt in May and December, respectively. Depending on how and how fast the two estates in bankruptcy can be wound up, the bankruptcies may have different financial consequences for Alm. Brand. An amount of DKK 30 million was expensed in 2018 in connection with the bankruptcy of Alpha Insurance. No expense has been recognised as a result of the bankruptcy of Qudos Insurance.

### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

#### Change of the VA premium

EIOPA changed the method for calculating the volatility adjustment (the VA premium) with effect from 1 January 2019. As a result, the VA premium is expected to be reduced by about 10-13 basis points. The market value effect on technical provisions in Non-life Insurance is expected to be approximately DKK 20-25 million, which will adversely affect the 2019 financial results. The method change will also result in a downward adjustment of the yield curve by around 13 basis points. This means that the bonus rate of Life Insurance will be reduced by around 1 percentage point on transition to the new yield curve.

### OUTLOOK FOR 2019

Expectations for a consolidated profit in the range of DKK 500-600 million before tax are maintained.

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2019. The group has a substantial portfolio of investment assets, and the low level of interest rates is affecting all of the group's business areas.

The profit forecast for 2019 is impacted by continued investments in digitalisation and growth in all business areas.

#### Non-life Insurance

The group's non-life operations are expected to generate pre-tax profit of DKK 475 million in 2019. The guidance is exclusive of the run-off result.

After a year of extremely low expenses for weather-related claims in 2018, the level of weather-related and major claims is expected to return to a normal level in 2019.

The combined ratio is expected to be 91-92, and the expense ratio is expected to be at the level of 17.

Full-year premium growth is expected to be at the level of 2-3%.

#### Life Insurance

Life insurance operations are expected to report a pre-tax profit in the region of DKK 80 million, with growth in regular premiums expected to be in the 7-8% range in 2019.

#### Banking

The guidance for the bank is adjusted from about DKK 100 million to a pre-tax profit of about DKK 80-100 million before amortisation of customer relationships to the tune of DKK 30 million. The adjustment is due to the significant uncertainty in the financial markets at the beginning of the year.

Retail lending is expected to report net growth of around 5-8% in 2019.

### Other activities

Other activities, comprising costs and interest related to the parent company, Alm. Brand A/S, are expected to be an expense of DKK 65 million before tax in 2019.

## Outlook

DKKkm	2019
<b>Expected consolidated profit before tax</b>	<b>500-600</b>
Non-life Insurance	475
Life Insurance	80
Banking <sup>a)</sup>	80-100
Other activities	-65

<sup>a)</sup> Before amortisation, customer relationships.

Combined ratio

**91-92**

**Expected combined ratio in Non-life Insurance.**

Growth in Life Insurance

**7-8%**

**Expected growth in regular premiums in Life Insurance.**

Growth in lending

**5-8%**

**Expected growth in lending to retail customers.**

# Financial highlights and key ratios

	DKKm	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>GROUP</b>	<b>Income</b>				
	Non-life Insurance	1,329	1,311	5,274	5,157
	Life Insurance	561	392	2,004	1,394
	Banking	208	184	954	731
	Investment etc.	76	131	376	491
	<b>Total income</b>	<b>2,174</b>	<b>2,018</b>	<b>8,608</b>	<b>7,773</b>
	<b>Profit/loss</b>				
	Non-life Insurance	92	132	652	917
	Life Insurance	22	12	104	93
	Banking	-14	5	26	67
	Other activities	-16	-14	-58	-54
	<b>Profit before tax</b>	<b>84</b>	<b>135</b>	<b>724</b>	<b>1,023</b>
	Tax	-19	-25	-155	-212
	<b>Profit after tax</b>	<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>
	Total provisions for insurance contracts	21,626	20,961	21,626	20,961
	Consolidated shareholders' equity	4,748	4,936	4,748	4,936
	Total assets	39,025	34,654	39,025	34,654
	Average no. of employees	1,770	1,602	1,770	1,602
	Return on equity before tax (%)*	7.0	11.0	15.2	20.8
	Return on equity after tax (%)	5.4	8.9	12.0	16.5

	DKKm	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>FINANCIAL RATIOS</b>	Earnings per share	0.4	0.7	3.6	5.0
	Diluted earnings per share	0.4	0.7	3.6	4.9
	Net asset value per share	30	30	30	30
	Share price, end of period	49.3	81.0	49.3	81.0
	Price/NAV	1.65	2.67	1.65	2.67
	Average no. of shares (in thousands)	155,264	159,895	158,150	161,438
	No. of shares at year-end, diluted (in thousands)	157,955	161,708	157,955	161,708
	Average no. of shares, diluted (in thousands)	158,214	161,980	159,723	163,840
	Dividend per share	1.5	1.5	1.5	1.5
	Dividend per share, extraordinary	1.5	1.5	1.5	1.5
	No. of shares bought back (in thousands)	652	1,362	3,959	4,768
	Avg. price of shares bought back, DKK	53.8	64.5	63.6	59.4

\* 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.

# Non-life Insurance

## Highly satisfactory pre-tax profit of DKK 652 million, growth of 2.3% and few weather-related claims.

### FINANCIAL RESULTS FOR FY2018

Non-life Insurance generated a highly satisfactory pre-tax profit of DKK 652 million in 2018. Relative to the exceptionally strong pre-tax profit of DKK 917 million reported in 2017, the 2018 performance was affected by a negative investment result and lower run-off gains as well as by a DKK 30 million expense triggered by the bankruptcy of Alpha Insurance.

The technical result amounted to a profit of DKK 685 million in 2018, against DKK 805 million in 2017.

The combined ratio was 87.0 in 2018, being favourably affected by fewer expenses for weather-related claims and by run-off gains. Net of run-off gains on claims provisions, the combined ratio was 90.7 in 2018, marking a slight improvement relative to the expected level of 91-92.

The underlying combined ratio was 82.4 in 2018, which was in line with expectations.

### Premiums

Gross premiums increased by 2.3% to DKK 5,274 million in 2018, which was in line

with expectations and was achieved in a market that remained fiercely competitive. Growth was recorded in particular in the important motor insurance market and on workers' compensation insurance.

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

### Claims experience

The claims experience for 2018 was 69.8%, against 66.9% in 2017, when claims expenses were at a particularly low level. Relative to expectations, the 2018 claims experience was favourably affected by fewer expenses for weather-related claims, but adversely affected by slightly higher-than-expected expenses for major claims. Net of run-off gains, the claims experience was 73.5%, which was better than expected.

### Weather-related claims

In 2018, the weather was generally characterised by an unusually dry summer and by the absence of severe windstorms, but also by a number of heavy rain and cloudburst incidents in autumn, which did not, however, result in significant claims expenses. Overall, the number of weather-related claims was significantly lower than expected for the year. Net of reinsurance, expenses for weather-related claims totalled DKK 62 million in 2018, against 77 million in 2017. Overall, weather-related claims affected the combined ratio by

1.2 percentage points in 2018, which was significantly lower than the normal range of 3-4 percentage points expected at the beginning of the year.

### Major claims

Both the number of major claims and total claims expenses for major claims were somewhat lower than most recently guided for 2018. In particular the second and fourth quarters saw many major claims, but the year was without any single claims large enough, whether in size or number, to trigger compensation under the reinsurance covers. Net of reinsurance, expenses for major claims totalled DKK 383 million, which was DKK 42 million more than in 2017. Overall, major claims affected the combined ratio by 7.3 percentage points in 2018, which was within the normal range of 7-8 percentage points expected at the beginning of the year.

### Underlying business

The underlying claims ratio was 65.2 in 2018, being favourably affected by a generally good claims experience. The underlying claims ratio was generally slightly better than the expected level in spite of many fire claims and large claims payouts on health and personal accident insurance in the second half of the year. The underlying claims ratio was 1.4 percentage points higher than in 2017, which was affected by an unusually low level of claims expenses, however.

## Combined ratio

	2018	2017	2016	2015	2014*
Combined ratio, underlying business	82.4	81.3	80.4	78.9	77.0
Weather-related claims, net of reinsurance	1.2	1.5	2.2	4.4	4.2
Major claims, net of reinsurance	7.3	6.6	7.4	5.3	5.8
Reinstatement premium	0.0	0.0	-0.1	0.3	1.1
Run-off result, claims	-3.7	-5.3	-7.9	-8.5	-2.6
Change in risk margin, run-off result and current year	-0.2	0.3	0.2	0.0	-
<b>Combined ratio</b>	<b>87.0</b>	<b>84.4</b>	<b>82.2</b>	<b>80.4</b>	<b>85.5</b>

\*Figures for 2014 have not been restated to reflect current financial reporting rules, but have been stated on the basis of previous rules.

### Run-off result

Run-off gains on claims net of reinsurance amounted to DKK 196 million in 2018, against DKK 275 million in 2017. Run-off gains were in 2018 mainly attributable to the personal lines workers' compensation and accident insurance as well as to motor insurance. The level of run-off gains on workers' compensation insurance was generally lower than in previous years. Moreover, the run-off result was adversely affected by an extraordinary expense of DKK 30 million on workers' compensation to cover Alm. Brand's expected share of the market's net expenses following the bankruptcy of Alpha Insurance.

### Risk margin

The change in the overall risk margin affected the 2018 performance by a net income of DKK 12 million, equivalent to 0.2 of a percentage point. The amount is composed of a DKK 72 million income attributable to the run-off result and a DKK 60 million expense related to the building-up of risk margin on claims reported in 2018. By comparison, the 2017 result was affected by a net expense of DKK 12 million, equivalent to 0.3 of a percentage point, which was made up of a DKK 48 million income attributable to the run-off result and a DKK 60 million expense related to claims reported in 2017.

### Costs

Total costs amounted to DKK 908 million in 2018 (2017: DKK 901 million). Costs for

the year equalled an expense ratio of 17.2, which was in line with expectations. Relative to 2017, the expense ratio improved by 0.3 of a percentage point driven by the growth achieved in 2018.

### Net reinsurance ratio

The net reinsurance ratio for the year was 4.6 in 2018, against 3.6 in 2017 (an expense in both years). There were no claims events in 2018 large enough to trigger compensation under the reinsurance covers.

### Discounting

From 31 December 2017 to 31 December 2018, the yield curve, which is used for discounting purposes, increased slightly at both the short end and the long end. Due to the composition of the expected cash flows, the technical provisions are affected the most by movements in short-term interest rates. Overall, interest rate developments reduced the combined ratio by 0.4 of a percentage point.

### PRIVATE

The technical result was a profit of DKK 334 million in 2018, against DKK 351 million in 2017.

The combined ratio was 87.5, which was satisfactory. Relative to expectations, the result was favourably affected by lower expenses for weather-related claims, a generally improved underlying claims ratio

and run-off gains, but adversely affected by large claims payouts on the health and personal accident portfolio.

## Private

DKKm	2018	2017
Gross premium income	2,670	2,644
Gross claims expenses	-1,771	-1,726
Insurance operating expenses	-514	-505
Profit/loss on reinsurance	-51	-62
<b>Technical result</b>	<b>334</b>	<b>351</b>
Run-off result, claims	95	119
Run-off result, risk margin	30	24
Gross claims ratio	66.3	65.3
Net reinsurance ratio	1.9	2.4
<b>Claims experience</b>	<b>68.2</b>	<b>67.7</b>
Gross expense ratio	19.3	19.0
<b>Combined ratio</b>	<b>87.5</b>	<b>86.7</b>

Premiums income was up by 1.0% to DKK 2,670 million, which was more or less in line with expectations for the year as a whole. Growth was in line with expectations in the first three quarters of the year, but tapered off in the fourth quarter. Growth is still recorded on motor insur-

ance in particular, driven by a slightly higher average premium. Competition in private lines is fierce and is particularly prominent within precisely motor insurance, but other lines are also feeling the effects of a competitive market, as terminations tend to involve the entire household insurance portfolio. In spite of competition, the customer retention rate was 90.8 at 31 December 2018, which was 0.1 of a percentage point above the level reported at 31 December 2017 and very positive.

The claims experience excluding run-off gains on claims was 71.8%, against 72.2% in 2017.

Net of reinsurance, total weather-related claims amounted to DKK 21 million (2017: DKK 29 million). In spite of several heavy rain and cloudburst incidents in August and September following the drought period in summer, expenses for weather-related claims for the year were below the expected level. Weather-related claims affected the combined ratio by 0.8 of a percentage point, against 1.1 percentage points in 2017.

Expenses for major claims totalled DKK 78 million net of reinsurance, which was in line with expectations, affecting the combined ratio by 2.9 percentage points. In 2017, expenses for major claims were DKK 55 million and affected the combined ratio by 2.1 percentage points.

The underlying claims ratio was 68.3 in 2018, which was slightly better than expected, and 0.5 of a percentage point better than in 2017. The claims ratio fell on a number of large products in general and was favourably affected, among other things, by the continuing in 2018 of recent years' declining trend in the number of burglary and theft claims, with Alm. Brand recording the lowest level of burglary claims in more than eight years. However, the claims ratio was adversely affected by 0.6 of a percentage point by a poor claims experience only on the small health and personal accident portfolio, which saw higher expenses than anticipated in the second half of 2018.

The run-off result on claims net of re-insurance was a gain of DKK 95 million (2017: DKK 119 million), mainly attributable to gains on motor and personal accident insurance.

The change in the overall risk margin affected the 2018 performance by an income of DKK 5 million, equivalent to a favourable effect of 0.2 of a percentage point on the combined ratio.

## COMMERCIAL

The technical result was a profit of DKK 351 million in 2018, against a profit of DKK 454 million in 2017.

The combined ratio was 86.5, which was slightly higher than expected and 4.6 per-

centage points higher than in 2017, which saw an exceptionally strong result.

Premiums income was up by 3.6% to DKK 2,604 million, which was more or less in line with expectations. Growth was in line with expectations in the first three quarters, but tapered off slightly in the fourth quarter. Alm. Brand sold more insurances than anticipated in 2018 in spite of the persistently highly competitive commercial market. Generally speaking, competition from non-Danish players has become less

## Commercial

DKKm	2018	2017
Gross premium income	2,604	2,513
Gross claims expenses	-1,665	-1,538
Insurance operating expenses	-394	-396
Profit/loss on reinsurance	-194	-125
<b>Technical result</b>	<b>351</b>	<b>454</b>
Run-off result, claims	101	155
Run-off result, risk margin	42	24
Gross claims ratio	64.0	61.2
Net reinsurance ratio	7.4	4.9
<b>Claims experience</b>	<b>71.4</b>	<b>66.1</b>
Gross expense ratio	15.1	15.8
<b>Combined ratio</b>	<b>86.5</b>	<b>81.9</b>

intensive, whereas competition from other Danish players in the commercial market has increased. Competition is particularly fierce within insurances for productive farms.

The customer retention rate remained high. Increasing gradually over the past nine months, the retention rate stood at 91.2 at 31 December 2018, which was 0.4 of a percentage point above the level at 31 December 2017 and very positive.

The claims experience excluding run-off gains on claims was 75.3%, against 72.5% in 2017.

Net of reinsurance, total weather-related claims amounted to DKK 40 million, which was DKK 8 million less than in 2017. In spite of several heavy rain and cloudburst incidents in August and September 2018 following the drought period in summer, expenses for weather-related claims for the year were significantly below the expected level. Weather-related claims affected the combined ratio by 1.5 percentage points, against 1.9 percentage points in 2017.

Expenses for major claims was DKK 305 million net of reinsurance, affecting the combined ratio by 11.7 percentage points, which was more than expected. The higher expense was mainly due to a higher number of major claims. The summer drought did not result in any significant

major claims due to field and forest fires. In 2017, expenses for major claims were DKK 285 million net of reinsurance and affected the combined ratio by 11.4 percentage points.

The underlying claims ratio was 62.3 in 2018, which was slightly better than expected, and 3.7 percentage points higher than in 2017. The number of fire claims reported on building and contents insurances was higher than expected in Q3 2018. Moreover, in particular residential property insurances failed to produce satisfactory results, as the premium level in this segment of the market has been inadequate for quite a long period of time. Alm. Brand has worked continuously to improve profitability in this segment and in Q4 2018 took additional steps by amending premium and deductible terms for a large number of existing customers. The development relative to 2017 was, among other things, driven by continued growth in lines which are less prone to the risk of weather-related and major claims and for which Alm. Brand therefore accepts an above-average underlying claims ratio for the portfolio.

The run-off result on claims net of reinsurance was a gain of DKK 101 million, against DKK 155 million in 2017. The 2018 run-off result was adversely affected by a DKK 30 million expense on workers' compensation triggered by the bankruptcy of Alpha Insurance. Apart from this, the run-off result was

mainly attributable to workers' compensation insurance and to building and contents insurance.

The change in the overall risk margin affected the performance by an income of DKK 7 million, equivalent to a favourable effect of 0.3 of a percentage point on the combined ratio.

The net reinsurance ratio was 7.4 in 2018, against 4.9 in 2017. The level of the net expense for reinsurance in 2018 was a result of the positive fact that there were

no claims events large enough to trigger compensation under the reinsurance programme.

### INVESTMENT RESULT

The investment result after interest on technical provisions was a loss of DKK 33 million in 2018, against a gain of DKK 112 million in 2017. The performance fell short of expectations by approximately DKK 30 million and should be seen in light of the current market conditions. In addition, a narrowing of the yield spread in 2017 contributed to an exceptionally good result last year.

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

The bond portfolio is placed in Danish government bonds and mortgage bonds, European corporate bonds and derivative fixed-income instruments. Government bonds and mortgage bonds predominantly have the highest rating possible, while corporate bonds are placed in the investment grade segment and hence have a rating of at least BBB-/Baa3.

The return on bonds was adversely impacted by the sustained low interest rate level. In addition, the bond portfolio was adversely impacted by volatility in the financial markets, including widening spreads on mortgage bonds relative to the corresponding swap rates.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve including a volatility adjustment (VA) premium. The asset portfolio for the hedging of interest rate risk on provisions is composed so as to match fluctuations on provisions occurring in step with market changes in the under-

lying components of the yield curve. The hedging strategy produced a satisfactory result throughout 2018, and the overall result of the hedging portfolio and value adjustment of provisions was positive at 31 December.

The mortgage deed portfolio includes an option agreement protecting Alm. Brand Forsikring against credit losses, as Alm. Brand Forsikring can sell back mortgage deeds to Alm. Brand Bank if mortgage deed debtors default on their payment obligations. The return on mortgage deeds was positive in 2018.

Alm. Brand Forsikring has limited exposure to equities, consisting primarily of equity futures on international equity indices and a small proportion of strategic equities that support the business. The return on the global equity market was negative in 2018, detracting from performance.

### FINANCIAL RESULTS FOR Q4

The group's non-life insurance activities generated a pre-tax profit of DKK 92 million in Q4 2018, against DKK 132 million in Q4 2017.

The performance was lifted by a better weather-related claims experience and a lower expense ratio than in Q4 2017. On the other hand, the performance was significantly impacted by a poor investment return, which was DKK 41 million lower

## Investment return

DKKm	2018			2017		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	8,480	-4	0.0%	8,511	109	1.3%
Mortgage deeds etc.	941	13	1.3%	1,111	25	2.1%
Equities	212	-18	-7.9%	195	30	16.8%
Properties	13	0	0.6%	13	1	5.4%
<b>Total return on investments</b>	<b>9,646</b>	<b>-9</b>	<b>-0.1%</b>	<b>9,830</b>	<b>165</b>	<b>1.7%</b>
Administrative expenses related to investment activities		-27			-33	
Capital gains related to the discounting of technical provisions		14			-2	
Interest on technical provisions		-11			-18	
<b>Net investment return</b>		<b>-33</b>			<b>112</b>	

than in Q4 2017, as well as by a DKK 30 million run-off loss triggered by the bankruptcy of Alpha Insurance.

The technical result was a profit of DKK 124 million in Q4 2018 (Q4 2017: DKK 123 million profit). The result was satisfactory and equalled a combined ratio of 90.7 (Q4 2017: 90.6).

Premium income rose by 1.4% to DKK 1,329 million in Q4 2018 from DKK 1,311 million in the same period of last year, which was slightly less than expected and due to moderately weaker growth in motor insurance lines in particular.

Weather-related claims totalled DKK 7 million net of reinsurance in Q4 2018, against DKK 15 million in Q4 2017. The fourth quarter of 2018 was favourably affected by an autumn without any major windstorms, which meant significantly fewer-than-expected expenses for weather-related claims. Weather-related claims affected the combined ratio by 0.5 of a percentage point (Q4 2017: 1.2 percentage points).

Major claims totalled DKK 124 million in Q4 2018 (Q4 2017: DKK 108 million). The number of major claims and expenses for major claims were slightly higher than anticipated in the fourth quarter, especially on commercial buildings. Overall, major claims expenses affected the combined ratio by 9.3 percentage points in Q4 2018 (Q4 2017: 8.2 percentage points), which

was higher than the expected full-year level of 7-8 percentage points.

## Combined ratio

	Q4 2018	Q4 2017
Combined ratio, underlying business	82.0	82.5
Weather-related claims, net of reinsurance	0.5	1.2
Major claims, net of reinsurance	9.3	8.2
Reinstatement premium	0.0	0.2
Run-off result, claims	-1.1	-1.5
Change in risk margin, run-off result and current year	0.0	0.0
<b>Combined ratio</b>	<b>90.7</b>	<b>90.6</b>

The combined ratio of the underlying business was 82.0 in Q4 2018, against 82.5 in Q4 2017. The decline was mainly driven by an improvement of the expense ratio, whereas the underlying claims ratio was unchanged relative to last year. However, the underlying claims ratio was adversely affected by one very large motor liability claim (DKK 8 million equivalent to 0.6 of a percentage point) and by a higher number of small and large fire claims on commercial buildings in 2018 as compared with 2017.

The run-off result on claims net of reinsurance was a gain of DKK 13 million in Q4 2018, against DKK 19 million in Q4 2017. The Q4 2018 run-off result was adversely

affected by a provision to cover workers' compensation claims following the bankruptcy of Alpha Insurance. Net of expenses related to the bankruptcy, the run-off result was a gain of DKK 43 million, primarily composed of gains on motor insurance and building insurance as well as a reduced loss on workers' compensation insurance due to adjustments of a few large claims.

The Q4 2018 expense ratio was 17.5, in line with expectations. The expense ratio improved by 0.5 of a percentage point relative to Q4 2017, driven by portfolio growth.

The investment result was a loss of DKK 32 million in Q4 2018, against a gain of DKK 9 million in the year-earlier period. The Q4 2018 investment return was adversely affected by equity market developments. The quarter was characterised by economic, financial and geopolitical unrest, weighing on the financial markets and causing, in particular, an equity market sell-off. The bond portfolio result was adversely impacted by the pricing of Danish index-linked bonds as a result of downward-trending inflation expectations. The hedging of provisions produced a satisfactory result and neutralised the fluctuations in a volatile quarter, just as the return on the mortgage deed portfolio was in line with expectations.

## Investment return

DKK m	Q4 2018		Q4 2017	
Bonds etc.	9	0.1%	22	0.2%
Mortgage deeds etc.	4	0.4%	3	0.3%
Equities	-27	-12.9%	9	5.5%
Properties	-1	-6.3%	0	-2.6%
<b>Total return on investments</b>	<b>-15</b>	<b>-0.1%</b>	<b>34</b>	<b>0.4%</b>
Administrative expenses related to investment activities	-8		-12	
Capital gains related to the discounting of technical provisions	-5		-13	
Interest on technical provisions	-4		0	
<b>Net investment return</b>	<b>-32</b>		<b>9</b>	

---

## CAPITALISATION

The total capital of Alm. Brand Forsikring A/S was DKK 3,004 million at 31 December 2018 after recognition of proposed dividends of DKK 500 million.

The company's capital requirement amounted to DKK 985 million. Accordingly, the company had excess liquidity of DKK 2,019 million, corresponding to a solvency coverage ratio of 305%.

Equity allocated to Non-life Insurance was DKK 2,400 million at 31 December 2018.

## MAJOR EVENTS

### Bankruptcies of Alpha Insurance and Qudos Insurance

The Danish insurance market experienced two rare bankruptcies in 2018, as Alpha Insurance and Qudos Insurance were both declared bankrupt in May and December, respectively. Depending on how and how fast the two estates in bankruptcy are wound up, the bankruptcies may have different financial consequences for Alm. Brand.

#### Estate in bankruptcy of Alpha Insurance

Alpha Insurance wrote insurance directed at the private and commercial customer markets in Denmark and a number of other EU and EEA countries. Alpha Insurance's private customers and certain

commercial customers will be covered by Garantifonden for skadeforsikrings-selskaber (the Danish guarantee fund for non-life insurance companies), while other commercial customers will have to prove their claims for lack of insurance coverage against the estate on an equal footing with other creditors. However, persons injured in connection with an industrial accident will receive full compensation, as this obligation has been taken over by Arbejds-markedets Erhvervssikring (AES).

Under workers' compensation legislation and as a result of the company's workers' compensation insurance portfolio, Alm. Brand has an obligation to cover a market share-based proportion of the workers' compensation insurance claims which the AES is unable to recover from the estate in bankruptcy.

Until the estate is wound up, the AES will collect on-account payments from workers' compensation insurance companies, including Alm. Brand, by way of outlays to cover current claims payouts to persons injured. As the estate is not expected to be finally wound up until after a number of years, it is to be expected that these outlays will run into to a substantial amount before they can be fully or partially reimbursed by the AES.

Alm. Brand does not expect to receive reimbursement of all outlays when the estate has been wound up and estimates the total expenses to cover this extraordinary cost at DKK 30 million net of dividend from the estate. The amount of the ultimate net expense for workers' compensation insurance claims related to Alpha Insurance is currently subject to great uncertainty.

#### Estate in bankruptcy of Qudos Insurance

Qudos Insurance wrote insurances directed at the private and commercial customer markets, but apparently did not write workers' compensation insurance policies. Alm. Brand therefore does not expect to have to cover claims from persons injured under workers' compensation insurances or any other policyholders of Qudos Insurance.

# Non-life Insurance

	DKKm	Q4 2018	Q4 2017	FY 2018	FY 2017
INCOME STATEMENT	Gross premium income	1,329	1,311	5,274	5,157
	Claims expenses	-923	-892	-3,436	-3,264
	Insurance operating expenses	-232	-236	-908	-901
	Profit/loss on reinsurance	-50	-60	-245	-187
	<b>Technical result</b>	<b>124</b>	<b>123</b>	<b>685</b>	<b>805</b>
	Interest and dividends, etc.	36	49	146	188
	Value adjustments	-51	-15	-155	-23
	Administrative expenses related to investment activities	-8	-12	-27	-33
	Return on and value adjustment of technical provisions	-9	-13	3	-20
	<b>Investment return after return on and value adjustment of provisions</b>	<b>-32</b>	<b>9</b>	<b>-33</b>	<b>112</b>
	<b>Profit before tax</b>	<b>92</b>	<b>132</b>	<b>652</b>	<b>917</b>
	Tax	-20	-30	-139	-196
	<b>Profit after tax</b>	<b>72</b>	<b>102</b>	<b>513</b>	<b>721</b>

	DKKm	Q4 2018	Q4 2017	FY 2018	FY 2017
BALANCE SHEET	Run-off result, claims	13	19	196	274
	Run-off result, risk margin	10	9	72	48
	Technical provisions	7,147	7,203	7,147	7,203
	Insurance assets	148	141	148	141
	Shareholders' equity	2,400	2,493	2,400	2,493
	Total assets	10,553	10,702	10,553	10,702
FINANCIAL RATIOS	Gross claims ratio	69.4	68.1	65.2	63.3
	Net reinsurance ratio	3.8	4.5	4.6	3.6
	<b>Claims experience</b>	<b>73.2</b>	<b>72.6</b>	<b>69.8</b>	<b>66.9</b>
	Gross expense ratio	17.5	18.0	17.2	17.5
	<b>Combined ratio</b>	<b>90.7</b>	<b>90.6</b>	<b>87.0</b>	<b>84.4</b>
	Combined ratio excluding run-off result *)	91.8	92.1	90.7	89.7
	Return on equity before tax (%)	15.0	21.5	28.4	38.5
	Return on equity after tax (%)	11.6	16.8	22.3	30.6

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.

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

# Life Insurance

## Highly satisfactory pre-tax profit of DKK 104 million and strong growth of 44%.

### FINANCIAL RESULTS FOR FY2018

Life Insurance achieved a total pre-tax profit of DKK 104 million in 2018, which was better than expected and DKK 11 million higher than in 2017. The full-year performance was highly satisfactory.

The profit was composed as follows:

- Expense and risk result of DKK 70 million
- Interest rate result of DKK 27 million
- Profit of DKK 10 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 4 million

The significant improvement was mainly driven by a better expense result – among other things due to growth in customer fund inflows in 2018. The 2018 performance should also be seen in the context that the 2017 performance was affected by a DKK 14 million one-off gain on the portfolio of life annuities without bonus entitlement.

The negative financial markets in 2018 combined with a rate on policyholders' savings of 5% caused the collective bonus potential to decrease from DKK 1,705

million at 31 December 2017 to DKK 1,220 million at 31 December 2018. In addition, the company in 2018 increased provisions in response to increased longevities, among other things. The bonus rate remains among the best in the market at a total of 18.6%, enabling the company to continue to offer a competitive rate on policyholders' savings. At 3.5% in 2019, the rate on policyholders' savings is still be the highest rate offered in the market.

Measured in terms of the volume of customer funds, AUM (assets under management) increased to DKK 14.5 billion at 31 December 2018, marking an increase of 5.3% relative to the year-earlier date. The increase was attributable to fair growth in customer contributions.

### Pension contributions

#### Payments into guaranteed schemes

Total premium income for the year was up by 43.8% relative to 2017, amounting to DKK 2,004 million in 2018 (2017: DKK 1,394 million), which was highly satisfactory.

Regular payments were up by 8.8% to DKK 766 million, while single payments increased by 79.5% to DKK 1,238 million. The improvement was, among other things, due to fair growth in the corporate

customer segment, which benefited from customers moving their entire portfolio to Alm. Brand Pension. In addition, there was an exceptionally high inflow of single payments on both corporate and private pension schemes.

The substantial growth in the corporate customer segment should be seen in the light of several strategic initiatives which have contributed to supporting developments. These include simplified access for customers via digitalisation in the underwriting process and a more simple process for the provision of health statements. Moreover, Life Insurance has adjusted prices on selected products with a view to improving its competitive strength.

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

### Benefits paid

Benefits paid totalled DKK 1,030 million in 2018 (2017: DKK 1,032 million). The flat performance was partly due to an increase in pension payouts as a result of the underlying portfolio growth, partly to an 8% reduction in the volume of surrenders. The lower level of surrenders reflects higher

customer loyalty, which, when adjusted for portfolio growth, corresponds to a 14% reduction of customer outflow.

### Risk result

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 62 million (2017: DKK 60 million). The risk result continues to reflect a strong performance of disability and mortality risk and was mainly the result of thorough assessments in connection with the process of writing new business. The risk result was highly satisfactory.

### Costs

Acquisition and administrative expenses totalled DKK 99 million in 2018, which was unchanged relative to 2017. This is highly satisfactory in light of the company's growth and reflects efficiency enhancements, driven among other things by the company's investments in digital solutions in the underwriting process.

### Expense result

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 8 million in 2018.

This DKK 21 million improvement on last year was driven by a higher cost contribution and growth. The result was highly satisfactory in light of the fact 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")).

### Reinsurance

Reinsurance expenses came to a net amount of DKK 4 million in 2018, which was on a par with 2017 and marked a satisfactory performance considering the reduction in risk and, by extension, in fluctuations of the company's results resulting from reinsurance.

### Investment return on assets allocated to equity

Investment assets attributable to shareholders' equity amounted to a negative DKK 4 million. This was in line with expectations partly in light of the challenging investment environment with negative short-term interest rates (assets allocated to equity are primarily invested in ultra-short bonds), partly in light of the fact that the return on assets allocated to equity included expenses for the company's subordinated loans in the amount of DKK 150 million.

### Investment return on policyholders' funds

Total investment assets belonging to policyholders amounted to DKK 14.4 billion at 31 December 2015. The investment assets are placed in bonds, equities and property. The return (before tax on pension returns but after investment costs) on investment assets belonging to policyholders was a negative DKK 17 million, equivalent to minus 0.1%, compared with a return of 6.9% in 2017.

From an overall perspective, the return for the year was not satisfactory. The investment return was impacted by the equity market sell-off as well as by widening spreads on credit bonds and emerging market bonds. Properties and Danish mortgage bonds yielded positive returns. In addition to rental income on the prop-

erty portfolio, a revaluation of the property portfolio was made, and Danish mortgage bonds were favourably affected by the decline in interest rates witnessed over the course of the year.

The property exposure was reduced in 2017 as a result of the company's divestment of a property at City Hall Square in Copenhagen in July 2017. The property exposure is expected to increase by about DKK 500 million in the first half of 2019, part of which is achieved through European property funds in order to ensure a better risk balance of the portfolio.

Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted by the yield curve for discounting provisions published by EIOPA. The 10-year point on the yield curve was at 1.17% at 31 December 2018, against 1.09% at 1 January 2018. The underlying risk-free rate of interest dropped in 2018, which drop was offset by the 15 basis point increase in the VA premium, making for an increase in the aggregate EIOPA yield curve. The interest rate hike had a positive effect on life insurance provisions and partly offset the negative return on the assets.

### Life insurance provisions

Total life insurance provisions grew by DKK 687 million to DKK 14.1 billion in 2018. The increase was to a significant extent driven by the net inflow of pension funds.

### Profit margin

The profit margin increased by DKK 35 million over the year, from DKK 393 million at 1 January 2018 to DKK 428 million at 31 December 2018. The increase was driven by the higher inflow from customers.

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

### Bonus rate

The total bonus rate was 18.6% at 31 December 2018, against 23.7% at 1 January 2018. At 1 January 2017, the bonus rate was 20.1%.

## Investment return

	Investment assets	Return 2018	Return 2017
<b>DKK m</b>			
Bonds	10,777	0.8%	2.6%
Equities	2,107	-9.7%	14.4%
Properties	1,496	8.5%	20.7%
<b>Total</b>	<b>14,380</b>	<b>-0.1%</b>	<b>6.9%</b>

Relative to 1 January 2018, the bonus rate declined by 5.1 percentage points. The decline was due to a high rate on policyholders' savings as well as a lower investment return. The lower investment return was due to volatile investment markets in 2018 and in the fourth quarter in particular. New policyholders are placed in interest rate group 0, which had a bonus rate of 19.8% at 31 December 2018. In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was at a highly satisfactory 12.2% at 31 December 2018. This group continues to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments in order to strike a healthy balance between the group's investments and liabilities.

The collective bonus potentials are calculated per contribution group and remained satisfactory at 31 December 2018.

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.

#### FINANCIAL RESULTS FOR Q4

Life Insurance generated a pre-tax profit of DKK 22 million in Q4 2018, against DKK 12 million in Q4 2017.

The Q4 2018 performance was better than expected, primarily driven by a decent risk

result and business growth, which resulted in higher earnings from cost contributions.

Due to the volatile financial markets in Q4 2018, the collective bonus potential fell markedly in the last three months of the year. As a result, the bonus rate dropped by 2.2 percentage points in Q4 2018. However, standing at 18.6% at 31 December 2018, the bonus rate remains among the best in the market and enables the company to continue to offer one of the market's highest rates on policyholders' savings.

Total pension contributions increased by 43% to DKK 561 million in Q4 2018 (Q4 2017: DKK 392 million). On guaranteed

schemes, regular payments increased by 4.3%, while single payments grew by 86.1%. Growth was in line with expectations in Q4 2018.

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 11 million (Q4 2017: DKK 12 million).

Acquisition and administrative expenses totalled DKK 27 million in Q4 2018, which was unchanged year on year.

The expense result was positive at DKK 1 million in Q4 2018, marking a DKK 3 million improvement on last year driven by a higher cost contribution and growth.

The return on investment assets belonging to policyholders (before tax on pension returns) was a loss of DKK 202 million for Q4 2018, corresponding to a return of minus 1.4%.

	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 2018 (% p.a.)		5.00	5.50	5.50	6.00	
Rate on policyholders' savings 2019 (% p.a.)		3.50	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	9.7	1.1	1.2	2.3	14.4
Bonus rate (%)		19.8	20.6	14.7	12.2	18.6
Return (%)	1.6	-0.5	-0.5	1.1	1.3	-0.1
<b>Distribution of investment assets (%)</b>						
Bonds	100	72	72	84	86	75
Equities	0	17	17	7	7	15
Properties	0	11	11	9	7	10

\* Portfolios without bonus entitlement

## Investment return

	Q4 2018	Q4 2018 p.a.	Q4 2017 p.a.
Bonds	0.6%	2.5%	2.4%
Equities	-14.2%	-56.7%	5.2%
Properties	4.9%	19.6%	5.2%
<b>Total</b>	<b>-1.4%</b>	<b>-5.6%</b>	<b>3.2%</b>

---

The return on customer investment assets was predominantly negatively affected by equity market developments. The quarter was characterised by economic, financial and geopolitical unrest, weighing on the financial markets and causing, in particular, an equity market sell-off.

Bonds made a positive contribution due to the declining interest rates, even though there was a concurrent slight widening of spreads on mortgage bonds. Moreover, emerging market bonds yielded a positive return relative to the turbulent conditions characterising previous quarters. In addition, a revaluation to market value was performed, as a result of which the property portfolio produced a return of 4.9% in the fourth quarter.

#### **CONTRIBUTIONS TO PENSION SCHEMES HELD WITH THE BANK**

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

Total payments into schemes with the bank amounted to DKK 227 million in Q4 2018 (Q4 2017: DKK 273 million). DKK 49 million of the total payments made into schemes with the bank related to the OpsparingPlus product, as compared with DKK 77 million in 2017.

Total pension assets related to pension schemes with the bank amounted to DKK 6.9 billion at 31 December 2018 (31 December 2017: DKK 4.3 billion), marking an increase of DKK 2.5 billion relative to 2017.

The increase was driven by the addition of the Saxo Privatbank portfolio.

#### **CAPITALISATION**

The total capital of Alm. Brand Liv og Pension A/S was DKK 1,009 million at 31 December 2018 after recognition of proposed dividends of DKK 100 million.

The company's capital requirement amounted to DKK 159 million. Accordingly, the company had excess liquidity of DKK 850 million, corresponding to a solvency coverage ratio of 637%. The company's capital requirement is very low as a result of the large bonus potentials.

Equity allocated to Life Insurance was DKK 634 million at 31 December 2018.

#### **MAJOR EVENTS**

##### **Rate on policyholders' savings for 2019**

In December 2018, Alm. Brand Pension announced that the company will continue to offer its customers the highest rate on policyholders' savings in the market. For 2019, the rate has been fixed at 3.5% for new customers.

##### **Change in expected longevity**

In 2018, the Danish Financial Supervisory Authority changed the benchmark published for expected longevity for the industry. As a result, Alm. Brand Pension has strengthened its provisions for longevity accordingly. This strengthening, along with an update of other provisioning assumptions, resulted in a reduction of the bonus rate of close to 1 percentage point, explaining a part of the bonus rate decline in 2018.



# Banking

## Integration of activities acquired from Saxo Privatbank completed.

### FINANCIAL RESULTS FOR FY2018

The bank reported a pre-tax profit of DKK 26 million, against DKK 67 million in 2017. Although in line with original expectations, the overall profit for 2018 was not satisfactory due to the profit composition.

The year was generally characterised by growing business activity in the bank, driven by organic growth and, in particular, by the acquisition of the majority of Saxo Privatbank A/S's activities on 1 April 2018. The integration of the Saxo Privatbank activities was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation.

As expected, no significant synergy benefits crystallised in 2018, whereas cost synergies to the tune of DKK 75 million before amortisation of customer relationships are expected for 2019.

The bank reported strong growth in new lending in 2018. The number of Pluskunder (customers who have pooled all of their business with the bank) was up by 13%, not including former Saxo Privatbank customers. Including former Saxo Privatbank customers, the number of Pluskunder increased by 34% and has now exceeded

21,000 customers measured in terms of households. Despite strong growth in new lending, a large part of the increase was offset by repayment of loans, generally lower borrowing requirements and conversion of bank loans to Totalkredit mortgage loans, all of which affected net lending.

The favourable economic climate with rising property prices and improved economic conditions for customers resulted in a DKK 86 million reversal of impairment writedowns. On the other hand, the volatile investment markets in 2018, in the fourth quarter in particular, adversely impacted the bank's trading income, and the sustained low level of money market rates and the widening yield spread drove investment portfolio earnings into negative territory.

### Income

The bank's income amounted to DKK 604 million in 2018, against DKK 512 million in 2017, marking an increase of DKK 92 million, primarily as a result of higher net interest and fee income.

Net interest and fee income was DKK 340 million in 2018, against DKK 251 million in 2017. The increase was mainly driven by the addition of activities from the former

Saxo Privatbank. Throughout the year, the bank was impacted by sustained pressure on the interest margin, which at 31 December 2018 stood at 2.2%, against an interest margin of 2.4% in 2017. In addition, competition among banks for the most attractive customers remained intense.

Trading income from Financial Markets amounted to DKK 138 million in 2018, against DKK 167 million in 2017. The year was characterised by volatile investment markets. Government crises, the emerging trade war between the US and China and the impending Brexit put pressure on earnings. Due to the volatile investment markets, trading activity among the bank's customers was reduced, and the market volatility also had an adverse impact on equity and bond prices and, as a result, on earnings.

Leasing recorded net income of DKK 75 million in 2018, against DKK 70 million in 2017. The bank's commercial customer leasing generated highly satisfactory portfolio growth of 18%, which is more than double the growth rate reported in 2017. Commercial customer leasing now accounts for the greatest share of the portfolio. Since the tax change in autumn 2017, private customer leasing has sta-

bilised at a new level, as the change has driven private customers to increasingly prefer purchasing over leasing. Despite a drop of 23% relative to 31 December 2017, Alm. Brand remains the third-largest provider of private customer leases in Denmark.

Other income amounted to DKK 51 million in 2018 (2017: DKK 24 million), of which DKK 24 million was net non-recurring income in Q2 from the acquisition and valuation of the activities of Saxo Privatbank.

### Costs

Costs amounted to DKK 598 million in 2018, against DKK 476 million in 2017. The increase was mainly driven by the acquisition of activities from Saxo Privatbank, but investment in growth and digitalisation also drove up the cost level, including investments made to increase the number of banking advisers. In addition, the bank's IT-related costs continued to increase due to the bank's data centre, Bankdata, as well as to internal costs related to compliance with new statutory requirements. In line with expectations, the cost level will be reduced in 2019 as synergies from integration of the banking activities begin to crystallise.

## Investment portfolio earnings

The bank's investment portfolio earnings for 2018 amounted to a DKK 42 million expense, against an income of DKK 20 million in 2017.

A widening of the yield spread throughout 2018 had a DKK 19 million adverse impact on the return on the bank's investment portfolio of bonds, and Danmarks Nationalbank's negative interest rate on certificates of deposit and rate of interest on current accounts produced a DKK 16 million negative return on investment of the bank's substantial excess liquidity in the money market. In addition, the 2017 return comprised a revaluation of two shareholdings representing a total value of DKK 17 million.

## Impairment writedowns

The bank made a DKK 86 million reversal of impairment writedowns in 2018, against a reversal of DKK 11 million in 2017. The trend from end-2017 continued in 2018, with favourable economic conditions improving the financial position of private households and commercial customers. The very dry and warm summer with low crop yields and the sustained low settlement prices for pig breeders only to a limited extent affected the bank's agricultural portfolio, as the portfolio had already been reduced significantly. DKK 25 million of the reversed impairment writedowns of DKK 86 million was interest income from loans written down. The reversal of

## Impairment writedowns

DKKm	2018	Impairm. in % <sup>a)</sup>	2017
<b>Loans and advances</b>			
Retail	-17	0%	-15
<b>Winding-up portfolio</b>			
Agriculture	-35	-25%	-5
Commercial properties	-25	-10%	-12
Mortgage deeds <sup>b)</sup>	-34	-21%	-17
<b>Loan impairment charges</b>	<b>-111</b>	<b>-3%</b>	<b>-49</b>
Mortgage deed option agreement <sup>b)</sup>	25		38
<b>Total impairment writedowns</b>	<b>-86</b>		<b>-11</b>

<sup>a)</sup> Losses and writedowns as a percentage of the average portfolio in 2018. The percentage is not comparable with the impairment ratio in the overview of financial ratios.

<sup>b)</sup> The impairment writedowns include credit-related value adjustments.

the remaining amount primarily related to a number of lending exposures which, through persistent efforts, were successfully redeemed.

## Business volume

Throughout 2018, the bank experienced a general increase in the level of activity. The bank reported 34% growth in the number of Pluskunder, a large part of whom transferred with the acquired part of the former Saxo Privatbank.

The effect of the strategic investments in customer advisers as well as digital solutions and process enhancements supported the inflow of new customers. Other efforts include optimisation of customer onboarding processes, credit ratings and a new mortgage credit platform scheduled for 2019. In 2018, Alm. Brand set up several advisory centres around Denmark, and the rebuilding of branches continues in 2019. This is all part of the strategy "Alm. Brand for the Customer", under which branches and sales centres around Denmark are to be converted into advisory centres framing the group's full-range customer advisory services within Banking, Non-life Insurance and Life Insurance.

The strong inflow of new customers increased new lending. However, this increase was offset by the customers' higher repayment of existing loans, conversion to Totalkredit mortgage loans and a strong household saving propensity. The development reflects a general trend in society of customers giving high priority to savings and conversion of bank loans into mortgage loans, which is also strengthened by the bank's customer advisory services.

As a result of the pressure on the interest margin in the market, competition among banks for the best customers is intense, particularly as regards cooperative housing loans. However, ongoing price adjustment of selected products contributed to sustaining the increase in customer inflow. In

spite of the tough competition, the bank will not compromise with its credit policy.

Lending amounted to DKK 5.0 billion at 31 December 2018, an increase of DKK 1.3 billion relative to 2017. The increase was driven by the addition of the Saxo Privatbank portfolio.

The portfolio of Totalkredit loans grew by DKK 6.7 billion in 2018 to a total of DKK 15.3 billion, against DKK 8.6 billion in 2017. The increase was mainly driven by the addition of the Saxo Privatbank portfolio. Net of this addition, lending was up by some 15% on 2017. The increase in the conversion of bank loans into mortgage loans among existing and new customers was significant.

Financial Markets experienced increased customer inflow throughout 2018, and the ETF product IndexPlus reported growth of 40%. Wealth Management and Asset Management recorded a substantial increase in volume, a large part of which came from the former Saxo Privatbank. As a result of the acquisition of the activities from Saxo Privatbank, the bank is now able to offer its high net worth clients a private banking concept.

The Leasing portfolio totalled DKK 964 million at 31 December 2018, distributed on 8,400 cars, which was marginally less than the record-high level of more than DKK 1 billion reported in 2017. As a result

of the statutory amendment of the vehicle registration fee in autumn 2017, private customer leasing has settled at a new, lower level. In spite of the reduction, Alm. Brand remains the third-largest provider of private leases in Denmark, while its share of the commercial customer leasing market is increasing.

### Winding-up portfolio

Total loans and advances in the winding-up portfolio were reduced by DKK 78 million to DKK 503 million in 2018. Adjusted for losses and writedowns, the reduction totalled DKK 173 million, of which Agriculture was reduced by DKK 76 million, Commercial property by DKK 52 million, and Mortgage deeds by DKK 45 million.

The total credit exposure in the winding-up portfolio developed in line with expectations.

At 31 December 2018, gross lending in the agricultural portfolio was DKK 559 million, with net lending at DKK 118 million, marking a significant reduction of the portfolio.

### Deposits

The bank had deposits of DKK 10.5 billion at 31 December 2018, against DKK 7.0 billion at 31 December 2017. The improvement was driven by the DKK 3.4 billion addition of activities from the former Saxo Privatbank. At 31 December 2018, floating-rate deposits represented 99% of total deposits, against 97% at 31 December 2017.

### Liquidity

At 31 December 2018, the liquidity coverage ratio (LCR) was 484%.

### FINANCIAL RESULTS FOR Q4

The bank reported a loss of DKK 14 million in Q4 2018, against a profit of DKK 5 million in Q4 2017. Reversals of impairment writedowns lifted the performance due to a continued strengthening of customers' financial position. On the other hand, the widening of the yield spread impacted adversely on investment portfolio earnings, while volatile investment markets put the earnings level under pressure. The increase in costs was primarily attributable to the acquisition of the Saxo Privatbank activities, but also to increased costs for strategic development and higher IT costs for Bankdata and stricter statutory requirements. The performance fell short of expectations and was not satisfactory.

### Income

Net interest and fee income amounted to DKK 92 million in Q4 2018, marking a year-on-year increase of DKK 30 million. The increase was mainly driven by the addition of activities from the former Saxo Privatbank. Fierce competition for the best banking customers also impacted the Q4 2018 performance, putting the interest margin under pressure.

Trading income from Financial Markets amounted to DKK 31 million in Q4 2018, against DKK 47 million in Q4 2017. The

customers' lower trading activity than previously impacted the quarter. Moreover, sustained investment market volatility reduced earnings in Financial Markets, which fell significantly short of expectations.

Leasing reported net income of DKK 19 million in Q4 2018, marking a year-on-year increase of DKK 4 million in line with expectations.

### Costs

Costs amounted to DKK 162 million in Q4 2018, against DKK 128 million in Q4 2017. The increase was mainly driven by the addition of activities from the former Saxo Privatbank. The bank incurred substantial costs in connection with the continued strategy developments, in particular experiencing a greater pressure on IT-related costs due to the bank's data centre, Bankdata, as well as to costs related to stricter statutory requirements. As expected, the cost level will be reduced when the synergies from the bank combination begin to crystallise in 2019.

### Investment portfolio earnings

Investment portfolio earnings amounted to an expense of DKK 18 million in Q4 2018, against an expense of DKK 5 million in Q4 2017. A widening of the yield spread had an adverse impact on the return on the bank's investment portfolio of bonds, and the bank's investment of its substantial excess liquidity in the money market produced a negative return.

## Credit exposure after writedowns

DKKm	31 December 2017	31 March 2018	30 June 2018	30 September 2018	31 December 2018	Share of portfolio in %
<b>Loans and advances</b>	<b>3,117</b>	<b>2,841</b>	<b>4,325</b>	<b>4,374</b>	<b>4,452</b>	
<b>Winding-up portfolio</b>						
Agriculture	159	135	123	118	118	23%
Commercial properties	257	244	243	240	230	46%
Mortgage deeds	165	164	165	147	155	31%
<b>Total winding-up portfolio</b>	<b>581</b>	<b>543</b>	<b>531</b>	<b>505</b>	<b>503</b>	<b>100%</b>
Mortgage deed option agreement	1,111	1,063	1,021	976	941	
<b>Total credit exposure</b>	<b>4,809</b>	<b>4,447</b>	<b>5,877</b>	<b>5,855</b>	<b>5,896</b>	

## Impairment writedowns

The bank made a DKK 21 million reversal of impairment writedowns in Q4 2018, against DKK 9 million in Q4 2017. Like in the first three quarters of the year, the reversals were attributable to favourable economic conditions. DKK 5 million of the reversed impairment writedowns related to interest income from loans written down. The reversal of the remaining amount primarily related to a number of lending exposures which, through persistent efforts, were successfully redeemed.

## CAPITALISATION

At 31 December 2018, the bank's total capital stood at DKK 1.9 billion, and the total capital ratio was 20.3 for the group. The total capital includes a proposed dividend payment of DKK 100 million.

### Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 1,946 million at 31 December 2018, against DKK 2,137 million at 31 December 2017. The capital reservation equalled 27% of the credit exposure, which was below the 34% reported at 31 December 2017 as a result of the inflow of activities from Saxo Privatbank.

## Capitalisation

DKKm	Parent company	Group
Total capital	1,909	1,899
Risk exposure amount	8,835	9,367
Total capital ratio	21.6	20.3
Tier 1 capital ratio	19.6	18.4
Individual solvency need (%)	11.5	11.3
Excess cover (%)	10.1	9.0

## Impairment writedowns

DKKm	Q4 2018	Q4 2017
<b>Loans and advances</b>		
Retail	0	-9
<b>Winding-up portfolio</b>		
Agriculture	-4	-5
Commercial properties	-3	2
Mortgage deeds <sup>a)</sup>	-18	-8
<b>Loan impairment charges</b>	<b>-25</b>	<b>-11</b>
Mortgage deed option agreement <sup>a)</sup>	4	11
<b>Total impairment writedowns</b>	<b>-21</b>	<b>-9</b>

## Capital reservation for credit risk

DKKm	31 December 2018				31 December 2017			
	Total assets	Credit exposure <sup>a)</sup>	Accumulated impairment writedowns <sup>b)</sup>	Required capital	Total reservation	Reservation/credit exposure	Total reservation	Reservation/credit exposure
Loans and advances	4,302	4,647	345	414	759	16%	634	20%
Winding-up portfolio	503	2,443	999	175	1,174	48%	1,480	50%
<b>Total, excl. reverse transactions</b>	<b>4,805</b>	<b>7,090</b>	<b>1,344</b>	<b>589</b>	<b>1,933</b>	<b>27%</b>	<b>2,114</b>	<b>34%</b>
Reverse transactions and intra-group transactions	150	151	1	12	13	9%	23	13%
<b>Total, group</b>	<b>4,955</b>	<b>7,241</b>	<b>1,345</b>	<b>601</b>	<b>1,946</b>	<b>27%</b>	<b>2,137</b>	<b>34%</b>

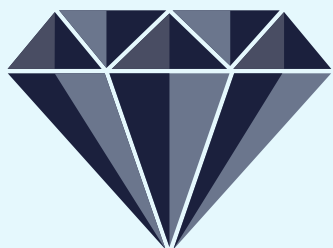
<sup>a)</sup> The impairment writedowns include credit-related value adjustments of mortgage deeds

<sup>a)</sup> Gross lending, residual debt on mortgage deeds and credit exposure through the option agreement with Alm. Brand Forsikring

<sup>b)</sup> Including value adjustments of mortgage deeds

## SUPERVISORY DIAMOND

The growth in lending of 23% included loans and advances taken over from Saxo Privatbank and developments in the winding-up portfolio. Excluding loans and advances taken over from Saxo Privatbank, growth in lending was negative at 6%. At 31 December 2018, the bank was in compliance with all five threshold values of the supervisory diamond of the Danish Financial Supervisory Authority.



### Large exposures

<b>Threshold value</b> < 175 %	<b>2018</b> 43 %	<b>2017</b> 35 %
--------------------------------	------------------	------------------

### Growth in lending

<b>Threshold value</b> < 20 %	<b>2018</b> 23 %	<b>2017</b> 1 %
-------------------------------	------------------	-----------------

### Funding ratio

<b>Threshold value</b> < 1	<b>2018</b> 0.44	<b>2017</b> 0.52
----------------------------	------------------	------------------

### Property exposure

<b>Threshold value</b> < 25 %	<b>2018</b> 9 %	<b>2017</b> 7 %
-------------------------------	-----------------	-----------------

### Excess liquidity coverage

<b>Threshold value</b> > 100 %	<b>2018</b> 496 %	<b>2017</b> -
--------------------------------	-------------------	---------------

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

## MAJOR EVENTS

### Acquisition of the majority of Saxo Privatbank A/S's activities

On 5 February 2018, Alm. Brand entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities.

In connection with the acquisition, branches have been combined at locations in which Alm. Brand was already represented. Accordingly, branch combinations were completed Aarhus, Kolding, Esbjerg and Odense.

The integration of Saxo Privatbank was fully completed in November by the conversion of data to the bank's current data centre, Bankdata, and adjustment of the future organisation. These moves concluded a hectic year of combining operations and activities.

### MREL add-on

In December 2018, the Danish Financial Supervisory Authority announced an MREL add-on for Alm. Brand Bank of 4.6% of the risk exposure amount. The MREL add-on became effective as of 1 January 2019 and is expected to be fully phased-in on 1 January 2023, at which time it will correspond to a capital requirement of about DKK 450 million. With a view to financing the bank's future MREL add-on, a 2-year dedicated loan facility of DKK 250 million was arranged between Alm. Brand af 1792 fmba and Alm. Brand A/S in February 2019. With this move, the bank has secured most of the financing for the fully phased-in MREL add-on. In continuation of this, the capital reservation of Alm. Brand A/S for the MREL add-on is lowered from DKK 250 million to DKK 150 million. The remaining reservation covers the uncertainty persisting in

respect of the residual financing over DKK 250 million.

### Capital injection

On 28 March 2018, Alm. Brand A/S injected DKK 450 million into Alm. Brand Bank A/S as equity to ensure that the bank was sufficiently capitalised for the acquisition of the majority of Saxo Privatbank's activities.

### Launch of Alm. Brand Trader

In Q4 2018, the bank launched Alm. Brand Trader, which is a customer investment tool.

Alm. Brand Trader is an intuitive, simple and easy to use securities trading platform that provides access to most of the world's markets and as many products as possible. Alm. Brand Trader is highly competitive, offering some of the market's lowest brokerage rates and fees. This is a unique introduction for a Danish bank, and the launch is in line with the strategy of providing solutions for multiple-service customers, allowing them to combine their banking and investment business in a single feature.

### Bankdata's capital market platform

As a result of development costs for Bankdata's capital market platform, the bank incurred an expense of just over DKK 25 million, which has been capitalised. The expense is expected to be accrued over five years from the date of commissioning in the third quarter of 2019.

# Banking

DKKkm		Q4 2018	Q4 2017	FY 2018	FY 2017
INCOME STATEMENT	Net interest and fee income	92	62	340	251
	Trading income	31	47	138	167
	Leasing	19	15	75	70
	Other income	11	5	51	24
	<b>Total income</b>	<b>153</b>	<b>129</b>	<b>604</b>	<b>512</b>
	Costs	-162	-128	-598	-476
	<b>Core earnings</b>	<b>-9</b>	<b>1</b>	<b>6</b>	<b>36</b>
	Investment portfolio earnings	-18	-5	-42	20
	<b>Profit/loss before amortisation and impairment losses</b>	<b>-27</b>	<b>-4</b>	<b>-36</b>	<b>56</b>
	Amortisation, customer relationships	-8	-	-24	-
Impairment writedowns	21	9	86	11	
<b>Profit/loss before tax</b>	<b>-14</b>	<b>5</b>	<b>26</b>	<b>67</b>	
Tax	5	0	-5	-13	
<b>Profit/loss after tax</b>	<b>-9</b>	<b>5</b>	<b>21</b>	<b>54</b>	

DKKkm		Q4 2018	Q4 2017	FY 2018	FY 2017
BALANCE SHEET	Loans and advances	4,452	3,117	4,452	3,117
	Winding-up portfolio	503	581	503	581
	Deposits	10,480	6,987	10,480	6,987
	Shareholders' equity	1,984	1,575	1,984	1,575
	Balance sheet	13,225	9,027	13,225	9,027
FINANCIAL RATIOS	Interest margin (%)	2.1	2.5	2.2	2.4
	Income/cost ratio	0.94	1.03	0.98	1.10
	Impairment ratio for the period	-0.1	-0.2	-0.9	-0.5
	Total capital ratio	20.3	22.5	20.3	22.5
	Return on equity before tax (%)*	-2.9	1.2	1.4	4.3
	Return on equity after tax (%)	-1.9	1.2	1.1	3.5

\* 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.

# Statement by the Board of Directors and the Management Board

---

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 31 December 2018.

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

The management’s review has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the interim report gives a true and fair view of the group’s and the parent company’s assets, liabilities and financial position at 31 December 2018 and of the group’s cash flows for the period 1 January to 31 December 2018.

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, 5 February 2019

**Søren Boe Mortensen**  
Chief Executive Officer

---

## Board of Directors

---

Copenhagen, 5 February 2019

**Jørgen Hesselbjerg Mikkelsen**  
Chairman

**Ebbe Castella**

**Per Viggo Hasling Frandsen**

**Flemming Fuglede Jørgensen**

**Brian Egested**

**Claus Nexø Jensen**

**Jan Skytte Pedersen**  
Deputy Chairman

**Anette Eberhard**

**Karen Sofie Hansen-Hoeck**

**Boris Nørgaard Kjeldsen**

**Helle Låsby Frederiksen**

**Susanne Larsen**

---

# Income statement

DKKm	Note	Group			
		Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Income</b>					
Premium income		1,890	1,703	7,278	6,551
Interest income etc.		161	183	671	733
Fee income etc.		38	37	181	187
Other income from investment activities		7	21	6	24
Income associates		1	0	1	0
Other income		77	74	471	278
<b>Total income</b>		<b>2,174</b>	<b>2,018</b>	<b>8,608</b>	<b>7,773</b>
<b>Costs</b>					
Claims incurred		-1,159	-1,162	-4,466	-4,296
Interest expenses		-16	-18	-64	-88
Other cost from investment activities		-7	-18	-54	-62
Impairment of loans, advances and receivables, etc.	1	7	12	77	32
Acquisition and administrative costs		-470	-433	-1,980	-1,617
<b>Total costs</b>		<b>-1,645</b>	<b>-1,619</b>	<b>-6,487</b>	<b>-6,031</b>
Profit from business ceded		-53	-62	-249	-190
Change in life insurance provisions		-62	-147	-658	-878
Change in profit margin, Life Insurance		-8	-18	-35	-31
Exchange rate adjustments		-356	-24	-518	501
Tax on pension investment returns		34	-13	14	-121
<b>Profit/loss before tax</b>		<b>84</b>	<b>135</b>	<b>675</b>	<b>1,023</b>
Tax		-19	-25	-106	-212
<b>Profit/loss after tax</b>		<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>
Earnings per share, DKK		0.4	0.7	3.6	5.0
Diluted earnings per share, DKK		0.4	0.7	3.6	4.9

# Statement of comprehensive income

DKKm	Group			
	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Comprehensive income</b>				
Profit for the period	65	110	569	811
<i>Items that may be recycled to profit or loss</i>	0	0	0	0
<i>Items that may not be recycled to profit or loss:</i>			0	0
Revaluation of owner-occupied properties	-29	7	-29	7
Transferred to collective bonus potential	29	-7	29	-7
Tax on other comprehensive income	0	0	0	0
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>	<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>
<b>Proposed allocation of profit/loss:</b>				
Share attributable to Alm. Brand	65	110	569	811
<b>Comprehensive income</b>	<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>

# Balance sheet

DKKm	31 December 2018	31 December 2017
<b>Assets</b>		
Intangible assets	211	3
Owner-occupied properties	713	663
Deferred tax assets	46	63
Reinsurers' share of insurance contracts	167	163
Current tax assets	47	12
Other assets	1,866	1,814
Loans	5,745	4,631
Investment properties	724	610
Investment assets	28,413	26,195
Amounts due from credit institutions and central banks	861	320
Cash in hand and demand deposits	232	180
<b>Total assets</b>	<b>39,025</b>	<b>34,654</b>
<b>Liabilities and equity</b>		
Share capital	1,610	1,655
Reserves, retained profit etc.	2,668	2,801
Proposed dividend	470	480
<b>Consolidated shareholders' equity</b>	<b>4,748</b>	<b>4,936</b>
Subordinated debt	575	574
Provisions for insurance contracts	21,626	20,961
Other provisions	52	36
Deferred tax liabilities	0	0
Current tax liabilities	0	0
Other liabilities	1,295	1,109
Deposits	10,298	6,706
Payables to credit institutions and central banks	431	332
<b>Total liabilities and equity</b>	<b>39,025</b>	<b>34,654</b>

Note 2	Own shares
Note 3	Contingent liabilities, guaranties and leasing
Note 4	Fair value measurement of financial instruments
Note 5	Opening balance sheet Saxo Privatbank
Note 6	Accounting policies - Group
Note 7	Financial highlights and key ratios

# Statement of changes in equity

DKKm	Share capital	Contingency funds	Other provisions etc.	Retained profit	Proposed dividend	Consolidated equity
<b>Shareholders' equity at 1 January 2017</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,237</b>	<b>831</b>	<b>5,200</b>
<b>Changes in equity 2017:</b>						
Profit/loss for the year				811	0	811
Revaluation of owner-occupied properties				7		7
Transferred to collective bonus potential				-7		-7
Total income	0	0	0	811	0	811
Cancellation of treasury shares	-80			80		0
Proposed dividend				-480	480	0
Dividend distributed				18	-831	-813
Share option scheme, issuance				0		0
Share option scheme, exercise				25		25
Purchase and sale of treasury shares				-287		-287
<b>Changes in equity</b>	<b>-80</b>	<b>0</b>	<b>0</b>	<b>167</b>	<b>-351</b>	<b>-264</b>
<b>Shareholders' equity, 31 December 2017</b>	<b>1,655</b>	<b>182</b>	<b>1,215</b>	<b>1,404</b>	<b>480</b>	<b>4,936</b>
<b>Shareholders' equity, 1 January 2018</b>	<b>1,655</b>	<b>182</b>	<b>1,215</b>	<b>1,404</b>	<b>480</b>	<b>4,936</b>
Change in accounting policies				-62		-62
<b>Adjusted shareholders' equity at 1 January 2018</b>	<b>1,655</b>	<b>182</b>	<b>1,215</b>	<b>1,342</b>	<b>480</b>	<b>4,874</b>
<b>Changes in equity FY 2018:</b>						
Profit/loss for the period				569		569
Revaluation of owner-occupied properties			29			29
Transferred to collective bonus potential			-29			-29
Total income	0	0	0	569	0	569
Proposed dividend				-470	470	0
Dividend distributed				3	-480	-477
Cancellation of treasury shares	-45			45		0
Share option scheme, exercise				28		28
Purchase and sale of treasury shares				-246		-246
<b>Changes in equity</b>	<b>-45</b>	<b>0</b>	<b>0</b>	<b>-71</b>	<b>-10</b>	<b>-126</b>
<b>Shareholders' equity, 31 December 2018</b>	<b>1,610</b>	<b>182</b>	<b>1,215</b>	<b>1,271</b>	<b>470</b>	<b>4,748</b>

# Capital target

<b>DKKm</b>	<b>Total capital 31 December 2018</b>
Equity	4,748
Intangible assets	-211
Share buyback programme, outstanding	-28
Profit and risk margin	381
Tier 2 capital	575
<b>Total capital of the group</b>	<b>5,465</b>
<b>DKKm</b>	<b>Capital target 31 December 2018</b>
Non-life insurance (40% of gross premium income)	2,110
Life Insurance (7,5% of life insurance provisions)	956
Banking (19% of risk weighted assets)	1,780
Reservation MREL add-on	150
Alm. Brand A/S add-on	19
Diversification effects	-300
<b>Consolidated capital target</b>	<b>4,715</b>
<b>Excess relative to internal capital target</b>	<b>750</b>
Proposed distribution	-670
<b>Excess coverage after proposed distribution</b>	<b>80</b>

# Cash flow statement

DKKm			Group	
	FY 2018	FY 2017	FY 2018	FY 2017
<b>Cash flows from operating activities</b>				
Premiums received	7,279	6,437		
Claims paid	-4,489	-4,283		
	57	55		
Interest receivable, dividends, etc.	485	671		
Interest payable	-14	-22		
Payments concerning reinsurance	-214	-159		
Fee income received	187	193		
Fee income paid	-6	-6		
Expences paid	-2,163	-1,986		
Tax on pension investment returns paid	-127	-72		
Other ordinary income received	471	278		
Taxes paid/received	-3	-60		
<b>Cash flows from operating activities</b>	<b>1,463</b>	<b>1,046</b>		
<b>Change in investment placement</b>				
Acquisition of intangible assets, furniture, equipment, etc.	86	-142		
Properties acquired or converted	-135	584		
Sale/aquisition of equity investments	-412	120		
Sale/repayment of mortgage deeds and loans	426	436		
Sale/aquisition of bonds	-817	-842		
Acquisition of activities from Saxo Privatbank A/S	-380	0		
<b>Change in investment placement</b>	<b>-1,232</b>	<b>156</b>		
			<b>Change in financing</b>	
			Sale/purchase of treasury shares	-218
			Dividend distributed	-480
			Dividend received, treasury shares	3
			Subordinated debt	0
			Share issue	0
			Change in deposits	228
			Change in payables to credit institutions	99
			Change in other liabilities	12
			<b>Change in financing *)</b>	<b>-356</b>
				<b>-1,625</b>
			<b>Net change in cash and cash equivalents</b>	<b>-125</b>
			Cash and cash equivalents, beginning of period	500
			Addition on acquisition of activities from Saxo Privatbank A/S	718
			<b>Cash and cash equivalents, end of period</b>	<b>1,093</b>
				<b>500</b>

\*) The amount of DKK 356 million consists only of cash inflows og outflows.

# Segment reporting

DKKm						FY 2018	
	Non-life	Life	Banking	Other	Elimi- nation	Group	
Premium income	5,274	2,004	0	0		7,278	
Interest income etc.	170	264	239	4	-6	671	
Fee income etc.	0	0	243	0	-62	181	
Other investment income	1	63	1	0	-59	6	
Other income	0	0	471	0		471	
<b>Total income</b>	<b>5,445</b>	<b>2,331</b>	<b>954</b>	<b>5</b>	<b>-127</b>	<b>8,608</b>	
Claims incurred	-3,436	-1,030	0	0		-4,466	
Interest expenses	-36	-5	-17	-12	6	-64	
Other investment expenses	-27	-39	0	-50	62	-54	
Impairment of loans, advances and receivables, etc.	0	0	77	0		77	
Acquisition and administrative expenses	-908	-99	-1,032	0	59	-1,980	
<b>Total expenses</b>	<b>-4,407</b>	<b>-1,173</b>	<b>-972</b>	<b>-62</b>	<b>127</b>	<b>-6,487</b>	
Result of business ceded	-245	-4	0	0		-249	
Change in life insurance provisions	0	-687	0	0	29	-658	
Change in profit margin, Life Insurance	0	-35	0	0		-35	
Exchange rate adjustments	-141	-342	-5	-1	-29	-518	
Tax on pension investment returns	0	14	0	0		14	
<b>Profit/loss before tax</b>	<b>652</b>	<b>104</b>	<b>-23</b>	<b>-58</b>	<b>0</b>	<b>675</b>	
Tax	-139	-25	44	14		-106	
<b>Profit/loss after tax</b>	<b>513</b>	<b>79</b>	<b>21</b>	<b>-44</b>	<b>0</b>	<b>569</b>	

# Segment reporting

DKKm						FY 2017	
	Non-life	Life	Banking	Other	Elimi- nation	Group	
Premium income	5,157	1,394	0	0		6,551	
Interest income etc.	220	301	209	7	-4	733	
Fee income etc.	0	0	244	0	-57	187	
Other investment income	1	85	-1	0	-61	24	
Other income	0	0	278	0		278	
<b>Total income</b>	<b>5,378</b>	<b>1,780</b>	<b>730</b>	<b>7</b>	<b>-122</b>	<b>7,773</b>	
Claims incurred	-3,264	-1,032	0	0		-4,296	
Interest expenses	-52	-5	-23	-12	4	-88	
Other investment expenses	-33	-42	0	-44	57	-62	
Impairment of loans, advances and receivables, etc.	0	0	32	0		32	
Acquisition and administrative expenses	-901	-99	-678	0	61	-1,617	
<b>Total expenses</b>	<b>-4,250</b>	<b>-1,178</b>	<b>-669</b>	<b>-56</b>	<b>122</b>	<b>-6,031</b>	
Result of business ceded	-187	-3	0	0		-190	
Change in life insurance provisions	0	-871	0	0		-871	
Change in profit margin, Life Insurance	0	-31	0	0		-31	
Exchange rate adjustments	-24	517	6	-5		494	
Tax on pension investment returns	0	-121	0	0		-121	
<b>Profit/loss before tax</b>	<b>917</b>	<b>93</b>	<b>67</b>	<b>-54</b>	<b>0</b>	<b>1,023</b>	
Tax	-196	-16	-13	13		-212	
<b>Profit/loss after tax</b>	<b>721</b>	<b>77</b>	<b>54</b>	<b>-41</b>	<b>0</b>	<b>811</b>	

# Notes

DKKm	Group FY 2018
<b>Note 1 Impairment writedowns on loans, advances and other receivables as well as provisions for guarantees and undrawn credit facilities</b>	
<i>Impairment writedowns on loans, advances and receivables at amortised cost</i>	
<i>Stage 1</i>	
Impairment writedowns, beginning of year	10
New impairment writedowns, net	-7
Previously impaired, now finally lost	0
Other movements	24
Impairment writedowns, end of period	27
<i>Stage 2</i>	
Impairment writedowns, beginning of year	83
New impairment writedowns, net	-8
Previously impaired, now finally lost	0
Other movements	0
Impairment writedowns, end of period	75
<i>Stage 3</i>	
Impairment writedowns, beginning of year	1,065
New impairment writedowns, net	-30
Previously impaired, now finally lost	-229
Other movements	0
Impairment writedowns, end of period	806
<i>Loans which were kredit-impaired at initial recognition</i>	
Impairment writedowns, beginning of year	0
New impairment writedowns, net	-13
Previously impaired, now finally lost	-31
Other movements	93
Impairment writedowns, end of period	49
<i>Stage 1</i>	
Provisions, beginning of period	2
New provisions, net	7
Previously provided for, now finally lost	0
Other movements	2
Provisions, end of period	11

# Notes

DKKm	Group	
	FY 2018	FY 2017
<i>Stage 2</i>		
Provisions, beginning of period	2	
New provisions, net	4	
Previously provided for, now finally lost	0	
Other movements	0	
Provisions, end of period	6	
<i>Stage 3</i>		
Provisions, beginning of period	5	
New provisions, net	0	
Previously provided for, now finally lost	0	
Other movements	1	
Provisions, end of period	6	
Total impairment writedowns and provisions, end of period	980	
<i>Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement</i>		
Impairment writedowns on loans and advances for the year	59	-124
Provisions for losses on guarantees and undrawn credit facilities for the year	-11	-1
Impairment writedowns on receivables from credit institutions and other items subject to credit risk for the year	0	0
Reversal of prior-year impairment writedowns and provisions	0	116
Finally lost, where impairment writedowns/provisions have not been made	-22	-10
Settlements made on debt previously written off	51	51
Recognised in the income statement	77	32

# Notes

DKKm	Group	
	FY 2018	FY 2017
<b>Note 2 Own shares</b>		
Carrying amount, beginning of period	0	0
Value adjustments	-225	-221
Acquired during the period	257	286
Sold during the period	-32	-65
<b>Carrying amount, end of period</b>	<b>0</b>	<b>0</b>
Nominal value, beginning of period	59	100
Acquired during the period	40	48
Sold during the period	-11	-9
Cancellation of treasury shares	-45	-80
<b>Nominal value, end of period</b>	<b>43</b>	<b>59</b>
Holding number of shares ('000), beginning of period	5,915	10,034
Additions, number of shares	3,959	4,803
Disposals, number of shares	-1,064	-922
Cancellation of treasury shares	-4,500	-8,000
<b>Holding number of shares ('000), end of period</b>	<b>4,310</b>	<b>5,915</b>
<b>Percentage of share capital, end of period</b>	<b>2.7%</b>	<b>3.6%</b>
<b>Note 3 Contingent liabilities, guaranties and leasing</b>		
Guarantee commitments	2,708	1,712

# Notes

DKKm	31 December 2018				31 December 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Note 4 Fair value measurement of financial instruments</b>								
<u>Financial assets</u>								
Loans and advances	0	4,649	1,096	5,745	0	3,383	1,276	4,659
Bonds	18,869	6,597	7	25,473	23,203	785	10	23,998
Shares	1,624	158	93	1,875	1,583	114	81	1,778
Investment properties	0	0	724	724	0	0	610	610
Other assets	0	723	0	723	0	688	0	688
	0	0	0	0	0	0	2	2
<b>Total financial assets</b>	<b>20,493</b>	<b>12,127</b>	<b>1,920</b>	<b>34,540</b>	<b>24,786</b>	<b>4,970</b>	<b>1,979</b>	<b>31,735</b>
<u>Financial liabilities</u>								
Subordinated debt	0	0	575	575	0	0	574	574
Deposits	0	10,298	0	10,298	0	6,707	0	6,707
Other payables	0	482	0	482	0	415	0	415
<b>Total financial liabilities</b>	<b>0</b>	<b>10,780</b>	<b>575</b>	<b>11,355</b>	<b>0</b>	<b>7,122</b>	<b>574</b>	<b>7,696</b>

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.

Level 3 is used for financial assets and liabilities for which a quoted price or other official price is not available or is deemed not to reflect the fair value. Instead, measurement techniques and other observable market data are used to determine the fair value. In the cases in which observable prices based on market data are not available or are not deemed to be usable for the determination of fair value, recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value. The assumptions may include recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc. 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 2017 or 2018.

# Notes

DKKm	31 December 2018				
	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
<b>Development in level 3 financial instruments</b>					
Carrying amount, beginning of period	1,276	10	81	610	574
Additions during the year	8	0	8	108	150
Disposals during the year	-182	-3	0	-2	-149
Realised value adjustments	-1	0	0	0	0
Unrealised value adjustments	-5	0	4	8	0
<b>Carrying amount, end of period</b>	<b>1,096</b>	<b>7</b>	<b>93</b>	<b>724</b>	<b>575</b>
Value adjustments recognised in the income statement	-6	0	4	8	0
	<b>31 December 2017</b>				
DKKm	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
<b>Development in level 3 financial instruments</b>					
Carrying amount, beginning of year	1,523	8	97	905	393
Additions during the year	11	2	9	1	175
Disposals during the year	-200	0	-1	-509	0
Value adjustments during the year				213	0
Realised value adjustments	2	0	0	0	0
Unrealised value adjustments	-60	0	-24	0	6
<b>Carrying amount, year-end</b>	<b>1,276</b>	<b>10</b>	<b>81</b>	<b>610</b>	<b>574</b>
Value adjustments recognised in the income statement	-58	0	-24	213	6

DKKm	<u>Group</u> <u>31 December</u> <u>2018</u>
------	---

## Note 5 Opening balance sheet Saxo

On 5 February 2018, Alm. Brand Bank A/S entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities. The acquisition was completed with effect from 1 April 2018. The acquisition price represented DKK 380 million. The net value of assets and liabilities in the opening balance sheet was calculated at DKK 560 million. Accordingly, goodwill of DKK 180 million was recognised in the financial year under other operation income.

The most significant assets are composed of cash and receivables from other banks of DKK 718 million in aggregate, securities of DKK 1,546 million and advances of DKK 1,519 million. Securities mainly consist of listed Danish mortgage bonds and a small portfolio of sector equities. Loans and advances are distributed on 15,000 private customers and 2,500 small and medium-sized businesses. An intangible asset of DKK 223 million in respect of customer relationships and a related deferred tax liability of DKK 49 million have been recognised. Customer relationships have been measured on the basis of expected engagements with customer relationships existing at the time of acquisition. Customer relationships are amortised on a straight-line basis over a period of seven years, starting from 1 April 2018.

Total integration cost of DKK 199 million have been recognised, consisting primarily of costs related to withdrawal from SDC, costs related to integration with Bankdata and payroll cost for terminated employees. In Addition, transaction cost of DKK 2 million were incurred.

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash in hand	75,992
Amounts due from credit institutions and central banks	642,375
Securities	1,545,615
Intangible asset, customer relationships	223,000
Loans and advances at fair value	3,968
Loans and advances at amortised cost	1,515,406
Properties	25,492
Other assets	34,267
Payables to credit institutions and central banks	-807
Deposits	-3,364,524
Other liabilities	-88,423
Deferred tax liabilities	-49,060
Other provisions	-3,494
<b>Total</b>	<b>559,807</b>
Acquisition price (provisional)	-379,508
Badwill	180,299

# Notes

## NOTE 6 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 9, the accounting policies are unchanged from the policies applied in the annual report for 2017, to which reference is made.

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

### Profit margin of Alm. Brand Liv og Pension

There is an ongoing dialogue between the industry and the Danish Financial Supervisory Authority about the profit margin calculation approach.

The dialogue with the Danish Financial Supervisory Authority concerns the correlation between the company’s profit margin and bonus potentials.

This is a significant area as the profit margin is included in total capital and thus affects the company’s capital structure. As a result of Alm. Brand Liv og Pension’s

favourable buffer situation, these discussions have no impact on the size of the profit margin or the life insurance provisions.

Accordingly, the choice of method has no effect on the financial statements, but only affects the relationship between the individual and collective bonus potentials. The financial statements, including the income statement, the solvency statement and the balance sheet, will thus give a true and fair view irrespective of the outcome of the dialogue with the Danish Financial Supervisory Authority.

### Change in accounting policies

IFRS 9, Financial instruments has been implemented with effect from 1 January 2018. IFRS 9, Financial instruments replaces IAS 39 and changes the classification and related measurement of financial assets and liabilities. IFRS 9 introduces a new approach to financial assets based on the company’s business model and the asset’s underlying cash flows. Based on Alm. Brand A/S’s business model and types of financial assets and liabilities, the implementation of IFRS 9 has only had an effect on impairment of financial assets measured at amortised cost (loans, advances guarantees).

With IFRS 9, the current impairment model based on incurred losses (the “incurred loss” model) will be replaced by an impairment model based on expected losses

(the “expected loss” model). Under the new expected loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk since initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, while interest income is recognised in the income statement using the effective interest method relative to the impairment loss.

In order to prevent an unintended effect on total capital, a 5-year transition scheme

has been adopted in order that any adverse impact of the IFRS 9 impairment rules will not take full effect on the total capital until after five years. Alm. Brand has decided to use the transition scheme.

In accordance with transitional provisions of IFRS 9, Alm. Brand A/S has not implemented the revised impairment model with retroactive effect. Accordingly, the accumulated effect of the change was recognised in equity at 1 January 2018, and comparative figures for 2017 have not been restated. The accounting effect is shown in the table below. The total effect as at 1 January 2018 net of the tax effect was a DKK 62 million reduction of shareholders’ equity.

NOTE 7 FINANCIAL HIGHLIGHTS AND KEY RATIOS  
See the management’s review.

## Change in accounting policies

DKKm	31 Dec. 2017		1 Jan. 2018
	Previous policies	Effect of change	New policies
<b>Assets</b>			
Loans and advances at amortised cost	3,533	-72	3,461
<b>Liabilities and equity</b>			
Provisions for losses on undrawn credit limits	2	3	5
Provisions for losses on guarantees	5	4	9
Provisions for deferred tax (liability)	-	-17	-17
Shareholders’ equity	4,936	-62	4,874

# Income and comprehensive income statement

DKKm	Note	Parent company			
		Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Income statement</b>					
Income from group enterprises	2	78	121	614	852
Value adjustments, bonds		-1	-2	-2	-5
Interest income and dividends etc.		1	2	4	7
Interest expenses		-3	-3	-12	-12
Administrative expenses related to investment activities		-14	-11	-50	-44
<b>Profit/loss before tax</b>		<b>61</b>	<b>107</b>	<b>554</b>	<b>798</b>
Tax		4	3	15	13
<b>Profit/loss after tax</b>		<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>
<b>Comprehensive income</b>					
Profit/loss for the period		65	110	569	811
<b>Comprehensive income</b>		<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>
Proposed allocation of loss:					
Proposed dividend		0	480	0	480
Retained earnings		65	-370	569	331
<b>Comprehensive income</b>		<b>65</b>	<b>110</b>	<b>569</b>	<b>811</b>

Accounting policies

3

# Balance sheet

DKKm	Note	Parent company	
		31 December 2018	FY 2017
<b>Assets</b>			
Investment in group enterprises	1	5,017	4,865
<b>Total investments in group enterprises and associates</b>		<b>5,017</b>	<b>4,865</b>
Equity investments		1	1
Bonds		0	288
Other loans and advances		2	2
Deposits with credit institutions		0	0
Cash in hand and balances at call		1	17
<b>Total other financial investment assets</b>		<b>4</b>	<b>308</b>
<b>Total investment assets</b>		<b>5,021</b>	<b>5,173</b>
Receivables from group enterprises		0	0
Other receivables		55	53
<b>Total receivables</b>		<b>55</b>	<b>53</b>
Current tax assets		16	19
Deferred tax assets		0	0
<b>Total other assets</b>		<b>16</b>	<b>19</b>
Total prepayments		3	2
<b>Total assets</b>		<b>5,095</b>	<b>5,247</b>

# Balance sheet

DKKm	Parent company	
	31 December 2018	FY 2017
<b>Liabilities and equity</b>		
Share capital	1,610	1,655
Other provisions	1,215	1,215
Proposed dividend	470	480
Retained earnings	1,453	1,586
<b>Total shareholders' equity</b>	<b>4,748</b>	<b>4,936</b>
Subordinated debt	250	250
<b>Subordinated debt</b>	<b>250</b>	<b>250</b>
Deferred tax liabilities	38	36
<b>Total provisions</b>	<b>38</b>	<b>36</b>
Payables to group enterprises	41	20
Other payables	18	5
<b>Total payables</b>	<b>59</b>	<b>25</b>
<b>Total liabilities and equity</b>	<b>5,095</b>	<b>5,247</b>

# Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
<b>Shareholders' equity at 1 January 2017</b>	<b>1,735</b>	<b>1,215</b>	<b>1,419</b>	<b>831</b>	<b>5,200</b>
<b>Changes in equity 2017:</b>					
Profit/loss for the year			811	0	811
Comprehensive income			811	0	811
Cancellation of treasury shares	-80		80		0
Proposed dividend			-480	480	0
Dividende distributed			18	-831	-813
Share option scheme, exercise			25		25
Purchase and sale of treasury shares			-287		-287
<b>Changes in equity</b>	<b>-80</b>	<b>0</b>	<b>167</b>	<b>-351</b>	<b>-264</b>
<b>Shareholders' equity at 31 December 2017</b>	<b>1,655</b>	<b>1,215</b>	<b>1,586</b>	<b>480</b>	<b>4,936</b>
<b>Shareholders' equity at 1 January 2018</b>	<b>1,655</b>	<b>1,215</b>	<b>1,586</b>	<b>480</b>	<b>4,936</b>
Change in accounting policies			-62		-62
<b>Adjusted shareholders' equity at 1 January 2018</b>	<b>1,655</b>	<b>1,215</b>	<b>1,524</b>	<b>480</b>	<b>4,874</b>
<b>Changes in equity FY 2018:</b>					
Profit/loss for the period			569	0	569
Comprehensive income	0		569		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
<b>Changes in equity</b>	<b>-45</b>	<b>0</b>	<b>-71</b>	<b>-10</b>	<b>-126</b>
<b>Shareholders' equity at 31 December 2018</b>	<b>1,610</b>	<b>1,215</b>	<b>1,453</b>	<b>470</b>	<b>4,748</b>

# Notes

DKKm	31 December 2018	FY 2017
<b>Note 1 Investment in group enterprises</b>		
Cost, beginning of period	8,491	8,491
Additions	450	0
<b>Cost, end of period</b>	<b>8,941</b>	<b>8,491</b>
Revaluation and impairment, beginning of period	-3,626	-3,535
Change in accounting policies	-62	0
Dividend received	-850	-940
Profit/loss for the period	614	852
Other movements in capital	0	0
Revaluation and impairment of treasury shares in subsidiaries	0	-3
Revaluation and impairment, end of period	-3,924	-3,626
<b>Investment in group enterprises, end of period</b>	<b>5,017</b>	<b>4,865</b>
Specification of carrying amount:		
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned )	1,982	1,572
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned )	3,035	3,293
Investment in group enterprises, end of period	5,017	4,865
<b>DKKm</b>	<b>FY 2018</b>	<b>FY 2017</b>
<b>Note 2 Income from group enterprises</b>		
Alm. Brand Bank A/S	22	54
Alm. Brand Forsikring A/S	592	798
<b>Total income from group enterprises</b>	<b>614</b>	<b>852</b>
<i>The results are recognised in the following items:</i>		
Income from group enterprises	614	852
Total income from group enterprises	614	852

## 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 2017.

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

---

**Poul-Erik Winther**  
Group Chief Auditor

---

## Registration

---

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

---

## Address

---

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

Internet: [almbrand.dk](http://almbrand.dk)  
E-mail: [almbrand@almbrand.dk](mailto:almbrand@almbrand.dk)