Alm Brand Group

ALM. BRAND GROUP

Interim report Q2

2023

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Contents

Alm. Brand Group

	DKKm	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
GROUP	Insurance service result	507	378	712	296	1,005
	Investment return	19	-330	168	-282	-373
	Other income and expenses	-29	-45	-72	-105	-174
	Profit/loss before tax, continuing activities excluding special costs	**497**	**3**	**808**	**-91**	**458**
	Special costs	-159	-227	-324	-370	-694
	Profit/loss before tax, continuing activities	**338**	**-224**	**484**	**-461**	**-236**
	Tax, continuing activities	-88	37	-140	87	66
	Profit/loss after tax, continuing activities	**250**	**-187**	**344**	**-374**	**-170**
	Profit/loss after tax, discontinued activities	-	-	-	544	544
	Profit after tax	**250**	**-187**	**344**	**170**	**374**
	Total provisions for insurance contracts	17,967	17,776	17,967	17,776	16,633
	Consolidated shareholders' equity	13,714	13,644	13,714	13,644	13,845
	Total assets	36,677	37,005	36,677	37,005	35,590
	Return on equity before tax, continuing activities (% p.a.) *)	14.9	0.0	12.0	-1.4	3.4
	Return on equity before tax (% p.a.) **)	14.9	0.0	12.0	6.6	7.4
	Return on equity after tax (% p.a.) **)	11.2	-0.4	9.8	6.7	6.7

	DKKm	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
FINANCIAL RATIOS	Earnings per share	0.2	-0.1	0.2	0.1	0.2
	Diluted earnings per share	0.2	-0.1	0.2	0.1	0.2
	Net asset value per share	9.2	9.0	9.2	9.0	9.2
	Share price, end of period	10.7	10.6	10.7	10.6	11.3
	Price/NAV	1.16	1.17	1.16	1.17	1.22
	Average no. of shares (in millions)	1,540	1,540	1,541	1,541	1,540
	No. of shares, end of period, diluted (in millions)	1,541	1,540	1,541	1,540	1,541
	Average no. of shares, diluted (in millions)	1,540	1,540	1,541	1,541	1,540
	Dividend per share	0.00	0.00	0.00	0.00	0.30

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

Profit/loss before tax, continuing activities for Q2 2023 excluding special costs includes income of DKK 18 million from the Transitional Service Agreement (TSA) related to the divestment of Alm. Brand Liv og Pension A/S and the divestment of Codan's activities to Tryg. Income of DKK 22 million was recognised for Q2 2022.

Profit/loss before tax, continuing activities for H1 2023 excluding special costs includes income of DKK 43 million from the Transitional Service Agreement (TSA) related to the divestment of Alm. Brand Liv og Pension A/S and the divestment of Codan's activities to Tryg. Income of DKK 27 million was recognised for H1 2022. For the full-year 2022, income of DKK 86 million was recognised.

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

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

Alm. Brand Group

Historically strong insurance service result triggered an upgrade of full-year financial guidance in early July

The financial results of Alm. Brand Group (in this report referred to as “Alm. Brand Group” or “the group”) for Q2 2023 include the results of Alm. Brand Forsikring (“Alm. Brand”) and other activities as well as the results of the acquired Danish business of Codan Forsikring (“Codan”). Comparative figures for Q2 2022 are based on reported figures and hence include the results of Alm. Brand and other activities for the full quarter and Codan for the period from 1 May 2022 to 30 June 2022. The interim financial statements have been prepared in accordance with the IFRS 17 financial reporting standard and comparative figures have been restated accordingly.

Q2 PERFORMANCE

Alm. Brand Group’s insurance revenue rose by 2% in Q2 2023 relative to pro forma income in the same period of last year, including a substantial reduction of premium income in Energy driven by profitability-enhancing measures.

The insurance service result rose to a historically high profit of DKK 507 million, against DKK 378 million in Q2 2022, driven by a very positive result in Commercial Lines of DKK 346 million, whereas Private Lines reported a slightly lower profit than last year at DKK 161 million. The insurance service result reflects a generally satisfactory claims experience, including a persistently positive effect on claims provisions due to a higher level of interest rates and a positive contribution from continued cost savings. The continued focus on profitability is beginning to pay off in Commercial Lines, including Energy, and we have thus built a more profitable and robust business. On the other hand, there is a trend towards a higher frequency of motor claims, and as most of these are expected to express a lasting trend, we will take steps to improve profitability.

In line with expectations, the annual indexation of the premium level supplemented by selected premium increases is seen to increasingly compensate for inflation in claims repair costs and will expectedly fully compensate therefor over the course of 2023.

The financial markets developed favourably in the quarter, enabling Alm. Brand Group to post an investment gain of DKK 19 million – which included a satisfactory return on the portfolio not allocated to hedging of provisions, but a negative return on the hedging portfolio after return on and value adjustment of provisions, against a loss of DKK 330 million in the same quarter of 2022.

Other income and expenses came to a net loss of DKK 29 million, composed of DKK 11 million in training and development expenses and a total of DKK 18 million in group expenses and return on the remaining mortgage deed and debt collection portfolio.

Alm. Brand Group thus generated a pre-tax profit of DKK 497 million excluding special costs in Q2 2023, against a pre-tax profit of DKK 3 million in Q2 2022.

The Q2 result includes special costs of DKK 70 million related to the integration of Codan and realisation of synergies as well as amortisation of intangible assets in the amount of DKK 89 million, bringing Alm. Brand Group’s consolidated profit for Q2 2023 to a pre-tax profit of DKK 338 million.

H1 PERFORMANCE

Alm. Brand Group’s insurance revenue rose to DKK 5,762 million in H1 2023 from DKK 3,748 million in H1 2022, driven partly by satisfactory organic growth in Alm. Brand of 4.5%, partly by the recognition of six months of insurance revenue in Codan, against only two months in the same period of last year.

The insurance service result for H1 2023 was a profit of DKK 712 million, against DKK 296 million in H1 2022. The profit reflected satisfactory developments through a normalised claims experience following the higher frequency of minor claims during the winter period. Moreover, the performance was lifted by positive developments in premium income, which compensate for the overall cost and claims repair inflation, as well as continued cost savings, including synergies related to the integration of Codan.

The investment result was a profit of DKK 168 million, driven by positive financial market developments especially in the first quarter of the year.

Other income and expenses came to a net loss of DKK 72 million, composed of DKK 26 million in training and development expenses and a total of DKK 46 million in group expenses and return on the remaining mortgage deed and debt collection portfolio.

Alm. Brand Group thus generated a pre-tax profit of DKK 808 million excluding special costs in H1 2023, against a pre-tax loss of DKK 91 million in H1 2022.

The H1 result also includes scheduled special costs of DKK 146 million related to the integration of Codan and realisation of synergies as well as amortisation of intangible assets in the amount of DKK 178 million, bringing Alm. Brand Group's consolidated profit for H1 2023 to a pre-tax profit of DKK 484 million.

CAPITALISATION

The solvency capital requirement for the group was DKK 3,072 million at 30 June 2023, calculated using a partial internal model for Alm. Brand and the standardised model for Codan, against DKK 3,199 million at 31 March 2023.

The total capital for coverage of the solvency capital requirement rose to DKK 6,430 million, including the profit for the period, for an excess cover of DKK 3,358 million relative to the solvency capital requirement.

At 30 June 2023, Alm. Brand Group had an SCR ratio of 209%, including funds to cover the expected restructuring costs in connection with the integration of Codan. Alm. Brand Group aims to have an SCR ratio of at least 170% going forward and will, with due consideration thereto, be able to distribute a high proportion of future earnings to its shareholders. In consequence thereof, Alm. Brand Group has specified a payout ratio of at least 80% in its distribution policy, adjusted for the effect of amortisation of intangible assets and costs related to the integration of Codan, and expects the distribution in the coming years to be a combination of dividend payments and share buy-backs.

The group's total capital is assessed to be sufficiently robust to manage the risks associated with its activities.

SYNERGIES

Initiatives to realise expected synergies in a total amount of DKK 600 million by 2025 are progressing satisfactorily and slightly ahead of schedule. For the quarter, the synergies are estimated to have had a positive accounting effect of DKK 60 million.

In the first half of 2023, focus has been on measures that will lead to efficiency enhancements of procurement and claims processing and elaboration of systems for screening claims reports with a view to reducing insurance fraud. By preparing and implementing these measures, we have created a foundation that now makes Alm. Brand Group expect the synergies to contribute an accounting effect of DKK 260 million this year, against previously expected gains of DKK 240 million. The initiatives will subsequently have a full-year effect in 2024 of DKK 340-350 million and will provide a strong foundation for realising synergies of DKK 450 million in 2024.

Capitalisation

DKKm	Q2 2023	Q1 2023
Total capital for the group	6,430	6,160
Solvency capital requirement for the group	3,072	3,199
Solvency capital requirement excess	3,358	2,961
Total capital as a percentage of solvency capital requirement	209	193

OUTLOOK FOR 2023

On 6 July 2023 (see company announcement no. 13/2023), Alm. Brand Group upgraded its 2023 guidance to an insurance service result of DKK 1.35-1.45 billion excluding run-off gains and losses for H2 2023, against the previous guidance range of DKK 1.2-1.4 billion. The upgrade was made against the backdrop of a satisfactory claims experience including the run-off result in the second quarter and expectations of more favourable synergies than previously expected.

The expense ratio is expected to stay unchanged at 18-18.5, and the combined ratio excluding run-offs is expected to be about 87.7-88.5 for H2 2023, against the previously expected range of 88-90.

The investment result is expected to be unchanged at the level of DKK 300 million, and other income and expenses are still expected to generate a loss of about DKK 125 million.

Alm. Brand Group thus expects to report a consolidated pre-tax profit of DKK 1,525-1,625 million excluding special costs.

Moreover, Alm. Brand Group expects to incur special costs of about DKK 300-350 million in 2023 for the integration of Codan and realisation of synergies. Amortisation of intangible assets is expected to affect the income statement by approximately DKK 360 million.

MAJOR EVENTS

No events of material importance to the company's financial position or business affairs have occurred in the period to 30 June 2023.

Non-life Insurance

	DKKm	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
INCOME STATEMENT	Insurance revenue	2,909	2,390	5,762	3,748	9,564
	Claims expenses *)	-1,765	-1,335	-3,698	-2,576	-6,467
	Insurance operating expenses *)	-526	-446	-1,097	-690	-1,680
	Profit/loss on reinsurance	-111	-231	-255	-186	-412
	Insurance service result	**507**	**378**	**712**	**296**	**1,005**
	Investment return after return on and value adjustment of provisions	19	-330	168	-282	-373
	Other expenses	-11	-18	-26	-23	-55
	Profit/loss before tax excluding special costs, continuing activities	**515**	**30**	**854**	**-9**	**577**
	Special costs	-70	-168	-145	-311	-447
	Profit/loss before tax, continuing activities	**445**	**-138**	**709**	**-320**	**130**
	Tax, continuing activities	-111	18	-187	56	-12
	Profit/loss after tax, continuing activities	**334**	**-120**	**522**	**-264**	**118**
	Profit/loss after tax, discontinued activities	-	-	-	544	544
	Profit after tax	**334**	**-120**	**522**	**280**	**662**

	DKKm	Q2 2023	Q2 2022	H1 2023	H1 2022	FY 2022
BALANCE SHEET	Run-off gains/losses, net of reinsurance	65	67	138	-19	157
	Technical provisions	17,967	17,776	17,967	17,776	16,633
	Insurance assets	619	503	619	503	457
	Total assets	25,407	24,895	25,407	24,895	24,143
FINANCIAL RATIOS	Gross claims ratio	60.7	55.9	64.2	68.7	67.6
	Net reinsurance ratio	3.8	9.7	4.4	5.0	4.3
	Claims ratio	**64.5**	**65.6**	**68.6**	**73.7**	**71.9**
	Gross expense ratio	18.1	18.7	19.0	18.4	17.6
	Combined ratio *)	**82.6**	**84.3**	**87.6**	**92.1**	**89.5**
	Combined ratio excluding run-off result	84.8	87.1	90.0	91.6	91.1
	Combined ratio	83.3	85.1	88.3	92.7	90.3

*) Claims expenses and insurance operating expenses for Q2 2023 include income from the Transitional Service Agreement (TSA) related to the divestment of Alm. Brand Liv og Pension A/S. In addition, income from the TSA related to the sale of Codan's activities to Tryg has been recognised. Claims expenses are stated less DKK 6 million and insurance operating expenses are stated less DKK 13 million. The H1 2022 result included income from the TSA of DKK 6 million and DKK 12 million, respectively, while gross claims and insurance service expenses for FY 2022 were affected by DKK 26 million and DKK 50 million, respectively.

Claims expenses for H1 2023 are stated less DKK 15 million and insurance operating expenses are stated less DKK 27 million from the TSA. The H1 2022 result included income from the TSA of DKK 8 million and DKK 14 million, respectively, while gross claims and insurance service expenses for FY 2022 were affected by DKK 26 million and DKK 50 million, respectively.

Financial ratios for 2022 have been restated accordingly.

Non-life Insurance

Q2 PERFORMANCE

Alm. Brand Group's insurance service result for Q2 2023 was a historically high profit of DKK 507 million driven by highly satisfactory developments in Commercial Lines. The performance was driven by continuing satisfactory developments in insurance revenue, a generally satisfactory claims experience and a positive contribution from synergies across all group functions.

For Alm. Brand Group, the combined ratio was 82.6, against 84.3 in the year-earlier period. In Alm. Brand, the combined ratio was 82.5 and consequently 1.7 percentage points higher than in the year-earlier period, notably due to lower run-off gains relative to last year's high level and a break-even result from risk margin changes against a gain last year. On the positive side, the Q2 2023 performance benefited from continued effects of cost savings, including realised synergy gains, and a favourable effect on claims provisions due to a higher interest rate level. In Codan, the combined ratio was 82.7 owing to a satisfactory claims experience, while the expense ratio was significantly reduced, driven by strong effects from the realisation of synergies.

Insurance revenue

Alm. Brand Group's insurance revenue grew to DKK 2,909 million from DKK 2,390 million in the same period of 2022, driven both by organic growth in Alm. Brand and the recognition of insurance revenue in Codan, which includes three months of premium against only two months of the year-earlier period. Alm. Brand recorded lower organic growth following a number of quarters of very strong growth. As in the two preceding quarters, sales through partnerships contributed to a positive trend in insurance revenue in Codan Privat, while insurance revenue in Codan Erhverv was slightly lower than in the same period of last year.

Claims

The aggregate claims ratio was 64.5 in Q2 2023. In Alm. Brand, the claims ratio was 66.2, against 64.1 in the same period of 2022 driven by much lower run-off gains and a break-even result from risk margin changes (see above), whereas higher insurance revenue partly compensated for the inflationary effect on claims repair costs.

Underlying business

The underlying claims ratio was 60.1, against 62.3 in the year-earlier period, for an improvement of 2.2% percentage points, driven primarily by a positive trend in Codan. Effective from the beginning of the year, Alm. Brand Group implemented a uniform threshold for inclusion of claims expenses in the major claims category, and for Alm. Brand this means the underlying claims ratio now includes more expenses for minor claims than previously, but fewer expenses for major claims. If the same thresholds had been applied in Q2 2022, the underlying claims ratio for the period would have been 1.2 percentage points higher. For Codan, the change means fewer claims are now included in the underlying claims ratio.

For Alm. Brand and Codan alike, higher reinsurance costs have pushed up the claims ratio by about 1 percentage point.

Combined ratio

	Alm. Brand Group			Alm. Brand Forsikring		
	Q2 2023[1]	Q2 2022[2]	Change	Q2 2023[3]	Q2 2022[4]	Change
Underlying claims ratio	60.1	62.3	-2.2	64.6	64.2	0.4
Expense ratio	18.1	18.7	-0.6	16.3	16.5	-0.2
Combined ratio, underlying business	**78.2**	**81.0**	**-2.8**	**80.9**	**80.7**	**0.2**
Weather-related claims, net of reinsurance	0.4	2.6	-2.2	0.4	1.3	-0.9
Major claims, net of reinsurance	6.3	4.0	2.3	4.4	3.7	0.7
Run-off gains/losses, net of reinsurance	-2.2	-2.8	0.6	-3.2	-4.0	0.8
Change in risk margin	-0.1	-0.5	0.6	0.0	-0.9	0.9
Combined ratio	**82.6**	**84.3**	**-1.6**	**82.5**	**80.8**	**1.7**

1) Calculated taking into account an income of DKK 19 million from the TSA.
2) Calculated taking into account an income of DKK 18 million from the TSA.
3) Calculated taking into account an income of DKK 9 million from the TSA.
4) Calculated taking into account an income of DKK 11 million from the TSA.

Weather-related claims

Claims expenses for weather-related claims net of reinsurance amounted to DKK 13 million in Q2 2023, reflecting a quarter of mild weather conditions. Weather-related claims amounted to DKK 6 million for Alm. Brand, against DKK 18 million in Q2 2022, and DKK 7 million for Codan. Overall, weather-related claims expenses affected the combined ratio by 0.4%.

Major claims

Claims expenses for major claims net of reinsurance amounted to DKK 184 million. Expenses for major claims totalled DKK 64 million in Alm. Brand, against DKK 52 million in Q2 2022, and DKK 120 million in Codan. Relatively few major claims were reported in Q2, and major claims expenses thus affected the combined ratio by 6.3 percentage points for the group, of which Alm. Brand accounted for 4.4 percentage points and Codan for 8.2 percentage points. Already last year, Alm. Brand Group strengthened claims prevention efforts in respect of selected customer segments and tightened underwriting requirements in order to reduce claims expenses to a more satisfactory level. These efforts continue and are expected to produce the intended results.

Run-off result

The run-off result on claims net of reinsurance amounted to a gain of DKK 65 million in Q2 2023, with positive contributions from workers' compensation and personal accident insurance in particular. Overall, run-off gains came to 2.2 percentage points, which is about the average level realised during the past few quarters.

Risk margin

The change in the overall risk margin lifted the Q2 performance by DKK 2 million, equivalent to a 0.1 percentage point reduction of the combined ratio.

Insurance operating expenses

Insurance operating expenses totalled DKK 526 million, bringing the expense ratio to 18.1, against a reported figure of 18.7 and a *pro forma* figure of 20.4 in Q2 2022. The pro forma figure is thus 2.3 percentage points lower, reflecting the result of our dedicated endeavours to reduce the cost level by aggregating work functions and streamlining processes across Alm. Brand and Codan. The expense ratio in Alm. Brand was 16.3, against 16.5 in the same period of last year, and thus remained at a satisfactory level.

Following the acquisition of Codan, the cost initiatives already implemented in Alm. Brand were supplemented by a number of measures aimed at realising synergies. Other things being equal, these costs are estimated to have reduced the expense ratio for the group by about 1 percentage point as compared with Q2 2022.

Reinsurance result

At the beginning of the new year, the reinsurance market was marked by capacity constraints, resulting in tighter terms and conditions and a general increase in premium levels in connection with renewal of reinsurance programmes. Alm. Brand Group's reinsurance costs are thus higher this year, producing a net loss on reinsurance of DKK 111 million in Q2 2023, equivalent to a reinsurance ratio of 3.8.

Discounting

The yield curve, which is used for discounting premium and claims provisions, increased by 1.0-1.5 percentage points including the VA premium at the mid-point of the curve from the level reported at 30 June 2022. The interest rate change is assessed to have improved the combined ratio by 1.3 percentage points relative to Q2 2022.

PERSONAL LINES

Personal Lines reported an insurance service result of DKK 161 million. Alm. Brand reported a result of DKK 92 million, against DKK 105 million in the year-earlier period. In Alm. Brand, the combined ratio was 86.7, against 84.5 in the year-earlier period, or an increase of 2.3 percentage points, which was driven by a higher underlying claims experience impacted in particular by a higher frequency of motor claims.

Insurance revenue grew to DKK 1,302 million from DKK 1,065 million in the same period of 2022. The development reflects a 4.2% increase relative to the *pro forma* figure. Developments also cover a sustained highly satisfactory trend in in sales through partnerships.

The sum of claims expenses and the reinsurance result was an expense of DKK 873 million in total, corresponding to a claims ratio net of reinsurance of 67.1. In Alm. Brand, the claims ratio was 68.3, against 65.1 in Q2 2022, as the favourable effect from higher interest rates was offset by a higher claims frequency. In Codan, the claims experience was impacted by the same conditions, resulting in a claims ratio net of reinsurance of 65.7.

As a result of mild weather conditions in the quarter, weather-related claims amounted to just DKK 6 million net of reinsurance, equivalent to an effect on the combined ratio of 0.5 of a percentage point.

Expenses for major claims were also relatively low, amounting to DKK 22 million net of reinsurance, equivalent to a 1.7 percentage point effect on the combined ratio.

Insurance operating expenses amounted to DKK 268 million. In Alm. Brand, expenses dropped to DKK 128 million from DKK 131 million in Q2 2022, causing the expense ratio to fall to 18.4 from 19.4 in Q2 2022. The reduction reflects the combination of general operating efficiencies and cost savings from realised synergies. In Codan, expenses amounted to DKK 140 million, and the expense ratio thus came to 23.0.

The run-off result net of reinsurance amounted to a gain of DKK 6 million, driven mainly by personal accident insurance.

Personal Lines

	Alm. Brand Group			Alm. Brand Forsikring		
DKKm	**Q2 2023[1]**	**Q2 2022[2]**	**Change***	**Q2 2023[3]**	**Q2 2022[4]**	**Change**
Insurance revenue	1,302	1,065	-	694	675	19
Claims expenses	-845	-637	-	-458	-427	-31
Insurance operating expenses	-268	-233	-	-128	-131	3
Profit/loss on reinsurance	-28	-19	-	-16	-12	-4
Insurance service result	**161**	**176**	**-**	**92**	**105**	**-13**
Run-off gains/losses, net of reinsurance	6	32	-	20	20	0
Gross claims ratio	64.9	59.8	5.1	66.0	63.3	2.7
Net reinsurance ratio	2.2	1.8	0.4	2.3	1.8	0.5
Claims ratio	**67.1**	**61.6**	**5.5**	**68.3**	**65.1**	**3.2**
Gross expense ratio	20.6	21.9	-1.3	18.4	19.4	-1.0
Combined ratio	**87.7**	**83.5**	**4.2**	**86.7**	**84.5**	**2.2**
Underlying claims ratio	65.2	62.6	2.6	67.8	65.3	2.3
Combined ratio, underlying business	85.8	84.5	1.3	86.2	84.7	1.5
Weather-related claims, net of reinsurance	0.5	0.4	0.1	0.3	0.4	-0.1
Major claims, net of reinsurance	1.7	2.1	-0.4	3.0	2.8	0.2
Run-off gains/losses, net of reinsurance	-0.5	-3.0	2.5	-2.9	-3.0	0.1
Change in risk margin	0.2	-0.5	0.5	0.1	-0.4	0.5
Combined ratio	**87.7**	**83.5**	**4.2**	**86.7**	**84.5**	**2.2**

1) Consolidated insurance revenue and the reinsurance result include a DKK 2 million elimination related to the intra-group reinsurance programme, and gross claims expenses are stated less DKK 3 million and insurance operating expenses are stated less DKK 5 million from the TSA.
2) Gross claims expenses are stated less DKK 2 million and insurance operating expenses are stated less DKK 3 million from the TSA.
3) Gross claims expenses are stated less DKK 2 million and insurance operating expenses are stated less DKK 2 million from the TSA.
4) Gross claims expenses are stated less DKK 1 million and insurance operating expenses are stated less DKK 1 million from the TSA.

Financial ratios have been restated accordingly.

*) "-" The change has not been calculated.

COMMERCIAL LINES

Commercial Lines reported an insurance service result of DKK 346 million. Alm. Brand reported a result of DKK 162 million, against DKK 168 million in the year-earlier period.

In Alm. Brand, the combined ratio was 78.8, against 77.2 in Q2 2022 driven primarily by notably lower run-off gains and the absence of positive effects from a change in the risk margin. Codan had a very strong quarter, recording an insurance service result of DKK 184 million, driven by price and profitability initiatives, including premium increases and exposure changes among the largest customers.

Insurance revenue rose to DKK 1,607 million, reflecting an increase of 0.3% relative to the *pro forma* figure because of a substantial reduction of premium income in Energy.

The sum of claims expenses and the reinsurance result was an expense of DKK 1,003 million in total, corresponding to a claims ratio of 62.4. In Alm. Brand, the claims ratio was 64.4, against 63.3 in Q2 2022, reflecting a higher gross claims ratio and a lower net reinsurance ratio relative to the year-earlier period, when the settlement of three major claims at amounts lower than expected reduced the gross claims as well as payouts on the reinsurance programme by DKK 80 million. The Q2 performance reflects positive contributions from the higher interest rate level, which especially served to reduce the need to make provisions for long-term claims obligations in Commercial Lines, but which also results in higher reinsurance costs and lower run-off gains. In Codan, the claims ratio was 61.1, reflecting a generally favourable claims experience in the quarter, including lower claims expenses in the Energy segment, which in isolation produced a combined ratio of 66.5. Energy thus posted strong profitability for the second consecutive quarter, driven by a dedicated initiative regarding portfolio composition and re-pricing.

Commercial Lines

	Alm. Brand Group			Alm. Brand Forsikring		
DKKm	Q2 2023[1]	Q2 2022[2]	Change*	Q2 2023[3]	Q2 2022[4]	Change
Insurance revenue	1,607	1,325	-	765	740	25
Claims expenses	-920	-697	-	-418	-337	-81
Insurance operating expenses	-258	-213	-	-110	-103	-7
Profit/loss on reinsurance	-83	-212	-	-75	-132	57
Insurance service result	**346**	**203**	**-**	**162**	**168**	**-6**
Run-off gains/losses, net of reinsurance	59	35	-	27	37	-10
Gross claims ratio	57.2	52.7	4.5	54.6	45.5	9.1
Net reinsurance ratio	5.2	16.0	-10.8	9.8	17.8	-8.0
Claims ratio	**62.4**	**68.7**	**-6.3**	**64.4**	**63.3**	**1.1**
Gross expense ratio	16.1	16.1	0.0	14.4	13.9	0.5
Combined ratio	**78.5**	**84.8**	**-6.2**	**78.8**	**77.2**	**1.6**
Underlying claims ratio	55.7	62.0	-6.3	61.8	63.3	-1.5
Combined ratio, underlying business	71.8	78.0	-6.2	76.2	77.2	-1.0
Weather-related claims, net of reinsurance	0.5	4.3	-3.8	0.7	2.0	-1.3
Major claims, net of reinsurance	10.0	5.6	4.4	5.5	4.5	1.0
Run-off gains/losses, net of reinsurance	-3.7	-2.6	-1.1	-3.5	-5.0	1.5
Change in risk margin	-0.1	-0.6	0.5	-0.1	-1.5	1.4
Combined ratio	**78.5**	**84.7**	**-6.2**	**78.8**	**77.2**	**1.6**

1) Consolidated insurance revenue and the reinsurance result include a DKK 15 million elimination related to the intra-group reinsurance programme, and gross claims expenses are stated less DKK 6 million and insurance operating expenses are stated less DKK 13 million from the TSA.
2) Gross claims expenses are stated less DKK 6 million and insurance operating expenses are stated less DKK 12 million from the TSA.
3) Gross claims expenses are stated less DKK 2 million and insurance operating expenses are stated less DKK 7 million from the TSA.
4) Gross claims expenses are stated less DKK 3 million and insurance operating expenses are stated less DKK 8 million from the TSA.

Financial ratios have been restated accordingly.

*) "-" The change has not been calculated.

Expenses for weather-related claims net of reinsurance amounted to DKK 8 million, equivalent to a 0.5 of a percentage point effect on the combined ratio, against 4.3 percentage points in Q2 2022, which included substantial claims repair costs for a solar panel farm in the USA, which was struck by a severe hailstorm. Alm. Brand Group has subsequently reduced its exposure to North America.

Net of reinsurance, major claims amounted to DKK 160 million in Q2 2022, of which DKK 42 million was attributable to Alm. Brand, against DKK 33 million in Q2 2022, and DKK 118 million to Codan. Major claims affected the combined ratio by 10.0 percentage points in total, against 5.6 percentage points in Q2 2022.

Insurance operating expenses amounted to DKK 258 million in total. In Alm. Brand, expenses were DKK 110 million, against DKK 103 million in the same period of last year, equal to a satisfactory expense ratio of 14.4. In Codan, expenses amounted to DKK 148 million, equivalent to an expense ratio of 17.3, which was much lower than the *pro forma* expense ratio for Q2 2022.

The run-off result net of reinsurance was a gain of DKK 59 million, of which DKK 27 million was attributable to Alm. Brand and DKK 32 million was attributable to Codan, especially workers' compensation insurance.

Investment return

DKKm	Q2 2023			Q2 2022		
	Investment assets	**Return**		**Investment assets**	**Return**	
Bonds etc.	20,120	45	0.2%	19,920	-521	-2.6%
Illiquid credit including mortgage deeds	1,469	19	1.3%	1,509	-19	-1.3%
Shares	552	22	4.0%	667	-44	-6.1%
Properties	368	-4	-1.1%	315	6	2.0%
Total investment return	**22,509**	**82**	**0.4%**	**22,411**	**-578**	**-2.6%**
Administrative expenses related to investment activities		-12			-6	
Return on and value adjustment of technical provisions		-51			254	
Net investment return		**19**			**-330**	

INVESTMENT RESULT

The investment result after interest on technical provisions was a gain of DKK 19 million, including interest expenses for the group's tier 2 capital, against a loss of DKK 330 million in Q2 2022.

The investment result is composed of a return on the portfolio not allocated to hedging of provisions of DKK 37 million and a negative net return on the hedging portfolio of DKK 18 million. On the one hand, the result reflects the positive financial market developments of the quarter with price appreciation across the asset classes in which Alm. Brand is invested, but on the other hand the result also reflects expected fluctuations in the investment result which the hedging portfolio may cause from one quarter to the next relative to the return on and value adjustment of technical provisions.

The global economy recovered a bit more in Q2, but continuing tightening of fiscal and credit policies in the USA and other western economies dampened activity in the financial markets. So far, however, markets have avoided severe slowdowns and higher unemployment.

Driven by high employment, growing current account surpluses and strong consumer spending, the Danish economy fared better than expected in the quarter. Business and consumer sentiment remains buoyant, although both indicators still have relatively low comparative levels.

Total investment assets amounted to DKK 22.5 billion, against DKK 22.4 billion at 30 June 2022, distributed on Danish and international bonds, mortgage deeds and illiquid credit, equities and property investments. The overall goal is to achieve a satisfactory risk-return balance. The financial risk is adjusted using derivative financial instruments.

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

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 30 June 2023.

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

In our opinion, the interim report gives a true and fair view of the group’s assets, liabilities and financial position at 30 June 2023 and of the group’s cash flows for the period 1 January to 30 June 2023.

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

Management Board

Copenhagen, 17 August 2023

Rasmus Werner Nielsen
CEO

Anne Mette Toftegaard
Deputy CEO

Board of Directors

Copenhagen, 17 August 2023

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Boris Nørgaard Kjeldsen

Pia Laub

Tina Schmidt Madsen

Jørn Pedersen

Jais Valeur

Brian Egested

Claus Nexø Jensen

Henriette Pedersen

Lotte Kathrine Sørensen

Income statement

DKKm	Q2 2023	Q2 2022	H1 2023	H1 2022	Group FY 2022
Insurance revenue	3,520	3,210	7,086	4,568	12,262
Insurance service expenses	-2,921	-2,619	-6,161	-4,108	-10,921
Reinsurance result	-111	-231	-255	-186	-412
Insurance service result	**488**	**360**	**670**	**274**	**929**
Interest income and dividens, ect.	69	48	116	85	163
Value adjustments	68	-630	292	-828	-1,249
Interest expenses	-49	-9	-71	-18	-55
Other income	4	6	9	14	26
Administrative expenses related to investment activities	-39	-30	-80	-64	-150
Total investment return	**53**	**-615**	**266**	**-811**	**-1,265**
Return on and value adjustment of technical provisions, gross	-58	255	-151	443	764
Return on and value adjustment of technical provisions, reinsurance	7	-1	6	-1	-1
Total investment return after return on and value adjustment on technical provisions	**2**	**-361**	**121**	**-369**	**-502**
Other income	41	-5	117	0	172
Other expenses	-193	-218	-424	-366	-835
Profit/loss before tax	**338**	**-224**	**484**	**-461**	**-236**
Tax	-88	37	-140	87	66
Profit/loss after tax, continuing activities	**250**	**-187**	**344**	**-374**	**-170**
Profit/loss after tax, discontinuing activities *)	0	0	0	544	544
Profit/loss after tax	**250**	**-187**	**344**	**170**	**374**
Earnings per share, DKK, continuing activities	0.2	-0.1	0.2	-0.2	-0.1
Diluted earnings per share, DKK, continuing activities	0.2	-0.1	0.2	-0.2	-0.1
Earnings per share, DKK	0.2	-0.1	0.2	0.1	0.2
Diluted earnings per share, DKK	0.2	-0.1	0.2	0.1	0.2

Statement of comprehensive income

DKKm	Q2 2023	Q2 2022	H1 2023	H1 2022	Group FY 2022
Comprehensive income					
Profit for the period	250	-187	344	170	374
Items that are or may be reclassified to profit or loss	*0*	*0*	*0*	*0*	*0*
Foreign currency translation adjustments related to foreign entities			0	0	-2
Items that will not be reclassified to profit or loss:	*0*	*0*	*0*	*0*	*0*
Total other comprehensive income	**0**	**0**	**0**	**0**	**-2**
Comprehensive income	**250**	**-187**	**344**	**170**	**372**
Proposed allocation of profit/loss:					
Proposed dividend	0	0	0	0	462
Additional Tier 1 capital holders	6	1	11	1	7
Share attributable to Alm. Brand	244	-188	333	169	-97
Comprehensive income	**250**	**-187**	**344**	**170**	**372**

Balance sheet

DKKm	30 June 2023	30 June 2022	Group 31 December 2022
Assets			
Intangible assets	**10,532**	**11,031**	**10,764**
Tangible assets	**820**	**1,016**	**914**
Investments in associates	**135**	**0**	**144**
Equities	737	957	722
Unit trust units	20,676	8,715	19,469
Bonds	702	12,046	535
Mortage deeds	392	479	433
Other loans and advances	285	348	311
Deposits in credit institutions	30	200	31
Other	453	353	491
Other investments assets	**23,275**	**23,098**	**21,992**
Reinsurance deposits	24	39	0
Investments assets	**23,299**	**23,137**	**21,992**
Reinsurers' share of insurance contract provisions	**587**	**503**	**457**
Current tax assets	0	135	67
Deferred tax assets	0	2	0
Other assets	931	630	794
Cash in hand and demand deposits	373	551	458
Total assets	**36,677**	**37,005**	**35,590**

Balance sheet

DKKm	30 June 2023	30 June 2022	Group 31 December 2022
Liabilities and equity			
Share capital	1,541	1,541	1,541
Reserves, retained earnings, ect.	11,776	11,706	11,445
Propsed dividend	0	0	462
Consolidated shareholders' equity	13,317	13,247	13,448
Tier 1 capital	397	397	397
Total consolidated equity	**13,714**	**13,644**	**13,845**
Subordinated debt	**1,294**	**1,294**	**1,294**
Provisions for insurance contracts	**17,967**	**17,776**	**16,633**
Deferred tax liabilities	896	975	904
Other provisions	57	66	57
Provisions	**953**	**1,041**	**961**
Issued bonds	150	150	150
Payables to credit institutions and central banks	171	171	143
Current tax liabilities	43	0	0
Other payables	2,385	2,929	2,564
Payables	**2,749**	**3,250**	**2,857**
Total liabilities	**36,677**	**37,005**	**35,590**

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

Statement of changes in equity

DKKm	Share capital	Contin-gency funds	Other provi-sions etc.	Retained profit	Proposed dividend	Share-holders equity	Additional tier 1 capital	Consoli-dated equity
Consolidated equity, 1 January 2022	**1,541**	**182**	**0**	**11,521**	**462**	**13,706**	**0**	**13,706**
Change in accounting policies				79		79		79
Adjusted shareholders' equity at 1 January 2022	**1,541**	**182**	**0**	**11,600**	**462**	**13,785**	**0**	**13,785**
Changes in equity H1 2022:								
Profit/loss for the period				169		169	1	170
Comprehensive income	0	0	0	169	0	169	1	170
Dividend distributed				0	-462	-462	0	-462
Disposals relating to divestment of Alm. Brand Liv og Pension		-101		101		0		0
Additions relating to acquisition of Codan		1,395		-1,262		133		133
Tax on contingency funds		-384		18		-366		-366
Tier 1 kapital				0		0	397	397
Interest paid on Tier 1 capital				0		0	-1	-1
Purchase and sale of treasury shares				-12		-12		-12
Changes in equity	**0**	**910**	**0**	**-986**	**-462**	**-538**	**397**	**-141**
Consolidated equity, 30 June 2022	**1,541**	**1,092**	**0**	**10,614**	**0**	**13,247**	**397**	**13,644**
Adjusted shareholders' equity at 1 January 2022	**1,541**	**182**	**0**	**11,600**	**462**	**13,785**	**0**	**13,785**
Changes in equity 2022:								
Profit/loss for the year				367	0	367	7	374
Foreign currency translation adjustments related to foreign entities			-2	0		-2		-2
Comprehensive income	0	0	-2	367	0	365	7	372
Reduction of capital		-101		101		0		0
Issue of new shares pr. 2. december 2021		1,395	2	-1,397		0		0
Effect of changed accounting policies on Codan addition				133		133		133
Cost related to the issue of new shares		-384		18		-366		-366
Tier 1 capital							397	397
Interest paid on Tier 1 capital							-7	-7
Proposed dividend				-462	462	0		0
Dividend distributed				0	-462	-462		-462
Purchase and sale of treasury shares				-7		-7		-7
Changes in equity	**0**	**910**	**0**	**-1,247**	**0**	**-337**	**397**	**60**
Consolidated equity, 31 December 2022	**1,541**	**1,092**	**0**	**10,353**	**462**	**13,448**	**397**	**13,845**

Statement of changes in equity

DKKm	Share capital	Contin-gency funds	Other provi-sions etc.	Retained profit	Proposed dividend	Share-holders equity	Additional tier 1 capital	Consoli-dated equity
Consolidated equity, 1 January 2023	**1,541**	**1,092**	**0**	**10,353**	**462**	**13,448**	**397**	**13,845**
Changes in equity H1 2023:								
Profit/loss for the period				333		333	11	344
Comprehensive income	0	0	0	333	0	333	11	344
Dividend distributed				0	-462	-462		-462
Interest paid on Tier 1 capital				0		0	-11	-11
Purchase and sale of treasury shares				-2		-2		-2
Changes in equity	**0**	**0**	**0**	**331**	**-462**	**-131**	**0**	**-131**
Consolidated equity, 30 June 2023	**1,541**	**1,092**	**0**	**10,684**	**0**	**13,317**	**397**	**13,714**

Cash flow statement

DKKm	H1 2023	H1 2022	FY 2022
Cash flows from operating activities			
Insurance revenue	7,077	3,804	8,286
Insurance service expenses	-5,123	-3,529	-8,370
Payments concerning reinsurance	-388	168	9
Cash flows from insurance activities	**1,565**	**443**	**-75**
Interest receivable, dividends, etc.	79	118	218
Interest expenses	-72	-19	-55
Other income and expenses	-129	17	117
Taxes paid/received	-38	-27	-19
Cash flows from operating activities, continuing activities	**1,406**	**532**	**186**
Cash flows from operating activities, discontinuing activities	0	-38	-38
Cash flows from operating activities	**1,406**	**494**	**148**
Change in investment placement (net)			
Acquisition of intangible assets, furniture, equipment, etc.	2	-16	3
Sale/aquisition of equity investments	-951	339	-10,651
Acquisition of group enterprise	0	-12,877	-13,347
Divestment of group enterprise	0	1,107	1,107
Sale/repayment of mortgage deeds and loans	67	105	-161
Sale/aquisition of bonds	-165	11,117	23,332
Change in investment placement, continuing activities	**-1,047**	**-225**	**283**
Change in investment placement, discontinuing activities	0	164	164
Change in investment placement	**-1,047**	**-61**	**447**

Group	H1 2023	H1 2022	FY 2022
Change in financing			
Change in Tier capital	-11	396	390
Sale/purchase of treasury shares	-2	-12	-7
Dividend distributed	-462	-462	-462
Repayment of subordinated debt	-1	-2	-1
Change in payables to credit institutions	27	-151	-179
Change in other liabilities	5	422	26
Change in financing, continuing activities *)	**-444**	**191**	**-233**
Change in financing, discontinuing activities	0	-150	-150
Change in financing	**-444**	**41**	**-383**
Net change in cash and cash equivalents, continuing activities	**-85**	**498**	**236**
Net change in cash and cash equivalents, discontinuing activities	**0**	**-24**	**-24**
Disposals relating to divestment	**0**	**-154**	**-154**
Cash and cash equivalents, beginning of period, discontinuing activities	**0**	**178**	**178**
Additions relating to acquisition of Codan	**0**	**143**	**143**
Cash and cash equivalents, beginning of period, continuing activities	488	110	110
Cash and cash equivalents, end of period	**403**	**751**	**489**

*) The amount of DKK 444 million consists only of cash inflow

Segment reporting

DKKm	Personal	Commercial	Non-life	Other	Elimi-nation	Group before adjustments	IFRS 3 adjustments	Group
								H1 2023
Insurance revenue	2,575	3,187	5,762	0	0	5,762	1,324	7,086
Claims paid	-1,664	-2,049	-3,713	0	0	-3,713	-1,324	-5,037
Net operating expenses	-594	-530	-1,124	0	0	-1,124	0	-1,124
Insurance service expenses	**-2,258**	**-2,579**	**-4,837**	**0**	**0**	**-4,837**	**-1,324**	**-6,161**
Reinsurance result	-62	-193	-255	0	0	-255	0	-255
Insurance service result	**255**	**415**	**670**	**0**	**0**	**670**	**0**	**670**
Interest income and dividens, ect.			110	39	-33	116	0	116
Value adjustments			296	-4	0	292	0	292
Interest expenses			-72	-32	33	-71	0	-71
Other income			0	9	0	9	0	9
Administrative expenses related to investment activities			-22	-58	0	-80	0	-80
Total investment return			**312**	**-46**	**0**	**266**	**0**	**266**
Return on and value adjustment of technical provisions, gross			-151	0	0	-151	0	-151
Return on and value adjustment of technical provisions, reinsurance			6	0	0	6	0	6
Total investment return after return on and value adjustment on technical provisions			**167**	**-46**	**0**	**121**	**0**	**121**
Other income			117	0	0	117	0	117
Other expenses			-245	-179	0	-424	0	-424
Profit/loss before tax			**709**	**-225**	**0**	**484**	**0**	**484**
Tax			-187	47	0	-140	0	-140
Profit/loss after tax			**522**	**-178**	**0**	**344**	**0**	**344**

Segment reporting

								H1 2022
DKKm	Personal	Commercial	Non-life	Other	Elimi- nation	Group before adjustments	IFRS 3 adjustments	Group
Insurance revenue	1,701	2,047	3,748	0	0	3,748	820	4,568
Claims paid	-1,102	-1,482	-2,584	0	0	-2,584	-820	-3,404
Net operating expenses	-369	-335	-704	0	0	-704	0	-704
Insurance service expenses	**-1,471**	**-1,817**	**-3,288**	**0**	**0**	**-3,288**	**-820**	**-4,108**
Reinsurance result	-29	-157	-186	0	0	-186	0	-186
Insurance service result	**201**	**73**	**274**	**0**	**0**	**274**	**0**	**274**
Interest income and dividens, ect.			73	15	-3	85	0	85
Value adjustments			-777	-51	0	-828	0	-828
Interest expenses			-8	-13	3	-18	0	-18
Other income			0	14	0	14	0	14
Administrative expenses related to investment activities			-17	-47	0	-64	0	-64
Total investment return			**-729**	**-82**	**0**	**-811**	**0**	**-811**
Return on and value adjustment of technical provisions, gross			443	0	0	443	0	443
Return on and value adjustment of technical provisions, reinsurance			-1	0	0	-1	0	-1
Total investment return after return on and value adjustment on technical provisions			**-287**	**-82**	**0**	**-369**	**0**	**-369**
Other income			0	0	0	0	0	0
Other expenses			-307	-59	0	-366	0	-366
Profit/loss before tax, continuing activities			**-320**	**-141**	**0**	**-461**	**0**	**-461**
Tax, continuing activities			56	31	0	87	0	87
Profit/loss after tax, continuing activities			**-264**	**-110**	**0**	**-374**	**0**	**-374**
Profit/loss after tax, discontinuing activities *)			544	0	0	544	0	544
Profit/loss after tax			**280**	**-110**	**0**	**170**	**0**	**170**

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

Notes

DKKm	30 June 2023	30 June 2022	Group FY 2022
Note 1 Treasury shares			
Nominal value, beginning of year	0	0	0
Acquired during the year	2	2	3
Sold during the year	-2	-1	-3
Nominal value, end of year	**0**	**1**	**0**
Holding number of shares ('000), beginning of period	117	49	49
Additions, number of shares	2,055	2,075	3,150
Disposals, number of shares	-1,940	-1,149	-3,082
Holding number of shares ('000), end of year	**232**	**975**	**117**
Percentage of share capital, end of year	**0.0%**	**0.1%**	**0.0%**
Note 2 Contractual obligation and leasing			
Contractual obligation	548	553	664

The Alm. Brand Group is contractually obliged to pay rent of DKK 396 million over the next five years. The obligation is recognised in Other liabilities as a lease obligation.

The companies of the group have undertaken to participate in investing in unlisted securities at an amount of DKK 331 million.

Notes

DKKm	30 June 2023 Level 1	Level 2	Level 3	Total	31 December 2022 Level 1	Level 2	Level 3	Total
Note 3 Fair value measurement of financial instruments								
Financial assets								
Loans and advances	0	0	677	677	0	0	744	744
Bonds	0	702	0	702	0	535	0	535
Shares and unit trust units	20,179	0	1,234	21,413	19,004	0	1,187	20,191
Other assets	0	570	0	570	0	564	0	564
Total financial assets	**20,179**	**1,272**	**1,911**	**23,362**	**19,004**	**1,099**	**1,931**	**22,034**
Financial liabilities								
Subordinated debt	0	0	1,691	1,691	0	0	1,691	1,691
Issued bonds	0	0	150	150	0	0	150	150
Other payables	0	832	0	832	0	827	0	827
Total financial liabilities	**0**	**832**	**1,841**	**2,673**	**0**	**827**	**1,841**	**2,668**

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

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

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

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

Notes

DKKm	Loans and advances	Shares and unit trust units	Issued bonds (liability)	30 June 2023 Subor-dinated debt (liability)
Development in level 3 financial instruments				
Carrying amount, beginning of period	744	1,187	150	1,691
Additions during the year	4	78	0	0
Additions during the year relating to acquisition of subsidiary	0	0	0	0
Disposals during the year	-71	-21	0	0
Realised value adjustments	1	-1	0	0
Unrealised value adjustments	-1	-9	0	0
Carrying amount, end of period	**677**	**1,234**	**150**	**1,691**
Value adjustments recognised in the income statement	0	-10	0	0

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

Notes

NOTE 4 ACCOUNTING POLICIES

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

Change in accounting policies

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

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

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

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

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

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

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

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

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

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

The effect of the transition to IFRS 17 recognised in equity as a result of changes in accounting policies. The changed format is reflected on page 29.

Effect of new accounting policies

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

Notes

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

Presentation

Balance sheet

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

Income statement

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

Insurance revenue

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

Bonus and premium discounts

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

Discounting

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

Onerous contracts

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

Insurance service expenses

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

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

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

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

Acquired portfolio

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

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

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

Notes

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

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

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

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

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

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

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

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

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

Capitalisation and dividend

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

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

Notes

FY 2022

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

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

Notes

Intangible assets

Goodwill

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

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

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

Brand value and customer relationships

Brand and customer relationships acquired in connection with the business combination are recognised as separate identifiable intangible assets. The fair value of brands is calculated based on the relief from royalty method using a percentage rate of two and an expected useful life of 10 years. The fair value of customer relationships is calculated based on expected earnings and the useful life of customer relationships and expected future earnings. Customer relationships are amortised over a period of eight years, reflecting their expected useful life.

Additional Tier 1 capital

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

NOTE 5 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management's review.

DISCLAIMER

The forecast is based on the interest rate and price levels prevailing at the beginning of August 2023. All other forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts.

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

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

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

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

Definitions of financial ratios and Alternative Performance Measures (APM)

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

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

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

Gross claims ratio

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

Gross expense ratio

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

Price/NAV

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

Combined ratio

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

Return on equity after tax*

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

Return on equity before tax*

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

Net asset value per share**

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

Net reinsurance ratio

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

Earnings per share**

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

Claims ratio

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

Dividend per share

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

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

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

ALTERNATIVE PERFORMANCE MEASURES (APM)

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

Underlying claims ratio
Underlying combined ratio less expense ratio

Major claims, net of reinsurance

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

Weather-related claims, net of reinsurance

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

Change in risk margin

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

COVID-19 effect

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

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

Company information

Board of Directors

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Boris Nørgaard Kjeldsen

Pia Laub

Tina Schmidt Madsen

Jørn Pedersen

Jais Valeur

Brian Egested
Employee representative

Claus Nexø Jensen
Employee representative

Henriette Pedersen
Employee representative

Lotte Kathrine Sørensen
Employee representative

Management Board

Rasmus Werner Nielsen
CEO

Anne Mette Toftegaard
Deputy CEO

Auditors

EY
Godkendt Revisionspartnerselskab

Internal auditor

Morten Bendtsen
Group Chief Auditor

Registration

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