Alm Brand Group

ALM. BRAND GROUP

Interim report Q1 2023

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Company reg. (CVR) no. 77 33 35 17

Contents

Alm. Brand Group

	DKKm	Q1 2023	Q1 2022	FY 2022
GROUP	Insurance service result	205	-82	1,005
	Investment return	149	48	-373
	Other income and expenses	-43	-60	-174
	Profit/loss before tax, continuing activities excluding special costs	**311**	**-94**	**458**
	Special costs	-165	-143	-694
	Profit/loss before tax, continuing activities	**146**	**-237**	**-236**
	Tax, continuing activities	-52	50	66
	Profit/loss after tax, continuing activities	**94**	**-187**	**-170**
	Profit/loss after tax, discontinued activities	0	544	544
	Profit after tax	**94**	**357**	**374**
	Total provisions for insurance contracts	18,433	8,570	16,633
	Consolidated shareholders' equity	13,925	14,134	13,845
	Total assets	37,440	25,863	35,590
	Return on equity before tax, continuing activities (% p.a.) *)	9.1	-2.7	3.4
	Return on equity before tax (% p.a.) **)	9.1	12.9	7.4
	Return on equity after tax (% p.a.) **)	6.5	13.4	6.7

	DKKm	Q1 2023	Q1 2022	FY 2022
FINANCIAL RATIOS	Earnings per share	0.1	0.2	0.2
	Diluted earnings per share	0.1	0.2	0.2
	Net asset value per share	9.3	8.9	9.2
	Share price, end of period	12.8	11.6	11.3
	Price/NAV	1.38	1.30	1.22
	Average no. of shares (in millions)	1,541	1,541	1,540
	No. of shares, end of period, diluted (in millions)	1,540	1,540	1,541
	Average no. of shares, diluted (in millions)	1,541	1,541	1,540
	Dividend per share	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 Q1 2023 excluding special costs includes income of DKK 25 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 5 million was recognised for Q1 2022, while income of DKK 86 million was recognised for FY 2022.

*) 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

Overall satisfactory financial results in a quarter characterised by continued growth and a strong investment result.

The financial results of Alm. Brand Group (in this report referred to as “Alm. Brand Group” or “the group”) for Q1 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 Q1 2022 are based on reported figures excluding Codan.

This interim report is the first report prepared in accordance with the new financial reporting standard, IFRS 17. As Alm. Brand Group primarily has business with a duration of less than 12 months, the new standard has limited impact on the group’s figures. Accordingly, the changes mainly concern presentation and designation. For additional information, see the note on accounting policies.

Restated figures for FY 2022 were published at the end of April at *almbrand.dk*.

Q1 PERFORMANCE

Alm. Brand Group’s insurance revenue grew to DKK 2,853 million in Q1 2023 from DKK 1,358 million in the same period of 2022, driven by sustained satisfactory organic growth of 6.0% in Alm. Brand and the acquisition of Codan. The insurance service result was a profit of DKK 205 million, against a loss of DKK 82 million in the year-earlier period, equivalent to an increase of DKK 287 million. The insurance service result for Q1 2022 included income of DKK 116 million from inflation hedging related to workers’ compensation insurance. On transition to IFRS 17, this income was reclassified to the investment result and consequently deducted from the insurance service result in case of a lower run-off result.

The insurance service result for Q1 2023 was composed of a profit of 138 million in Alm. Brand and a profit of DKK 67 million in Codan, supported by continued savings on insurance operating expenses and a positive effect on claims provisions due to a higher interest rate level. However, the first quarter saw a higher underlying claims experience compared with the year-earlier period, among other things due to a large number of accidents caused by icy roads. In line with expectations, the ordinary indexation of the premium level supplemented by selected premium increases are seen to gradually compensate for inflation in claims repair costs and will expectedly fully compensate therefor over the course of 2023.

The financial markets developed favourably across asset classes in Q1 2023, enabling Alm. Brand Group to post an investment gain of DKK 149 million, against a gain of DKK 48 million in Q1 2022.

Other income and expenses came to a net loss of DKK 43 million, composed of DKK 15 million in training and development expenses and a total of DKK 28 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 311 million excluding special costs in Q1 2023, against a pre-tax loss of DKK 94 million in Q1 2022.

The Q1 result includes special costs of DKK 76 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 Q1 2023 to a pre-tax profit of DKK 146 million.

CAPITALISATION

The solvency capital requirement for the group was DKK 3,199 million at 31 March 2023, calculated using a partial internal model for Alm. Brand and the standardised model for Codan, against DKK 3,112 million at 31 December 2022.

The total capital for coverage of the solvency capital requirement was DKK 6,160 million at 31 March 2023, an excess cover of DKK 2,961 million relative to the solvency capital requirement.

Capitalisation

DKKm	Q1 2023	FY 2022
Total capital for the group	6,160	5,858
Solvency capital requirement for the group	3,199	3,112
Solvency capital requirement excess	2,961	2,746
Total capital as a percentage of solvency capital requirement	193	188

The Q1 solvency capital requirement was affected by higher market risk as a result of premium income received.

At 31 March 2023, Alm. Brand Group had an SCR ratio of 193%, 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 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 with accounting effect in 2025 are progressing according to plan. In Q1 2023, the initiatives already implemented in 2022 were supplemented by 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. For Q1 2023, synergy gains were calculated to have a positive accounting effect of DKK 57 million, and Alm. Brand Group still expects to post an accounting effect of DKK 240 million from synergy gains in the current year.

OUTLOOK FOR 2023

In continuation of the transition to the IFRS 17 financial reporting standard, Alm. Brand Group will publish expectations for the insurance service result instead of the previously reported technical result. The implementation of IFRS 17 is not expected to have any significant impact on the financial results.

Alm. Brand Group expects to realise an insurance service result of DKK 1.2-1.4 billion excluding run-off gains and losses, including expected synergies of DKK 240 million in total. The expected increase relative to the result realised in 2022 is also driven by an expectedly lower level of weather-related and major claims than in the year before as well as by the full-year effects of other cost savings implemented. However, higher expenses for the group's reinsurance programme will weigh on the financial performance.

The guidance is based on continued growth in the group's insurance revenue across the individual customer types, supported by the ordinary indexation of the premium level and individual premium adjustments. The expense ratio is expected to be 18-18.5, and the combined ratio excluding run-offs is expected to be 88-90.

The investment result is expected to be about DKK 300 million, against the previous guidance of DKK 250 million, based on the result achieved in Q1 and the estimated holding returns for the rest of the year. Other income and expenses are expected to generate a loss of about DKK 125 million, against the previous guidance of DKK 75 million.

Accordingly, Alm. Brand Group maintains the guidance of a consolidated pre-tax profit of DKK 1,375-1,575 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 31 March 2023.

Non-life Insurance

	DKKm	Q1 2023	Q1 2022	FY 2022
INCOME STATEMENT	Insurance revenue	2,853	1,358	9,564
	Claims expenses *)	-1,933	-1,241	-6,467
	Insurance operating expenses *)	-571	-244	-1,680
	Reinsurance result	-144	45	-412
	Insurance service result	**205**	**-82**	**1,005**
	Investment return after return on and value adjustment of provisions	149	48	-373
	Other expenses	-15	-5	-55
	Profit/loss before tax excluding special costs, continuing activities	**339**	**-39**	**577**
	Special costs	-75	-143	-447
	Profit/loss before tax, continuing activities	**264**	**-182**	**130**
	Tax, continuing activities	-76	38	-12
	Profit/loss after tax, continuing activities	**188**	**-144**	**118**
	Profit/loss after tax, discontinued activities	-	544	544
	Profit after tax	**188**	**172**	**662**

	DKKm	Q1 2023	Q1 2022	FY 2022
BALANCE SHEET	Run-off gains/losses, net of reinsurance	73	-86	157
	Technical provisions	18,433	8,570	16,633
	Insurance assets	528	446	457
	Total assets	26,236	12,176	24,143
FINANCIAL RATIOS	Gross claims ratio	67.8	91.4	67.6
	Net reinsurance ratio	5.0	-3.3	4.3
	Claims ratio	**72.8**	**88.1**	**71.9**
	Gross expense ratio	20.0	18.0	17.6
	Combined ratio *)	**92.8**	**106.1**	**89.5**
	Combined ratio excluding run-off result	95.4	99.8	91.1
	Combined ratio	93.6	106.4	90.3

*) Claims expenses and insurance operating expenses for Q1 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 9 million and insurance operating expenses are stated less DKK 14 million. The Q1 2022 result included income from the TSA of DKK 2 million and DKK 2 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

Q1 PERFORMANCE

Alm. Brand Group's insurance service result was a profit of DKK 205 million in Q1 2023 based on improved results in Alm. Brand and a positive profit contribution from Codan. The profit was composed of insurance service results of DKK 138 million for Alm. Brand and DKK 67 million for Codan. The improvement was mainly driven by lower expenses for weather-related claims in particular and to a lesser extent major claims. Effective from the beginning of the year, Alm. Brand Group implemented a uniform threshold of DKK 3 million for inclusion of claims expenses in the major claims category. The threshold was previously DKK 1 million for Alm. Brand and DKK 5 million for Codan. This means that Alm. Brand's major claims ratio now includes fewer expenses than previously and that the expenses not included as major claims are now instead included as minor claims, thus forming part of the underlying combined ratio. If the same thresholds had been applied in Q1 2022, the major claims ratio would have been 3.8 percentage points lower and the underlying combined ratio equally higher. It is noted that this effect was particularly high in Q1 2022, which included a large number of major claims in the DKK 1-3 million bracket. For Codan, the threshold change means that slightly more claims will be included in the major claims ratio in future.

For Alm. Brand Group, the combined ratio was 92.8 in Q1 2023. In Alm. Brand, the combined ratio was 90.4, or 15.6 percentage points lower than in Q1 2022, predominantly due to lower claims expenses for major claims and an improved run-off result. On the positive side, the Q1 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, which compensated for the inflationary effect on claims repair costs. However, the first quarter also saw a slightly higher frequency of minor claims, which is assessed to be attributable in part to increased attention to reporting claims caused by windstorms and rain during the quarter. Moreover, sub-zero temperatures towards the end of the quarter took many drivers by surprise, resulting in a large number of accidents caused by icy roads. In Codan, the combined ratio was 95.3, which reflected an underlying claims experience composed of several of the same factors as in Alm. Brand as well as a higher major claims ratio than expected, but also positive effects from the synergy programme.

Combined ratio

	Alm.Brand Group	Alm. Brand Forsikring		
	Q1 2023[1]	Q1 2023[2]	Q1 2022[3]	Change
Combined ratio, underlying business	84.0	85.7	81.4	4.3
Weather-related claims, net of reinsurance	2.2	2.9	6.8	-3.9
Major claims, net of reinsurance	9.5	4.6	10.5	-5.9
Run-off gains/losses, net of reinsurance	-2.6	-2.2	6.3	-8.5
Change in risk margin	-0.3	-0.6	1.0	-1.5
Combined ratio	**92.8**	**90.4**	**106.0**	**-15.6**

1) Calculated taking into account an income of DKK 23 million from the TSA.
2) Calculated taking into account an income of DKK 11 million from the TSA.
3) Calculated taking into account an income of DKK 4 million from the TSA.

Insurance revenue

Alm. Brand Group's insurance revenue grew to DKK 2,853 million from DKK 1,358 million in Q1 2022, reflecting the acquisition of Codan and sustained satisfactory organic growth of 6.0% to DKK 1,438 million in Alm. Brand. Adjusted for the effect of the implementation of IFRS 17, growth was 4.7%. The organic growth trend in Alm. Brand was generated by both Personal Lines and Commercial Lines, supported by substantial customer inflow, continued additional sales to existing customers and satisfactory contributions from partnerships as well as the ordinary indexation of premium levels. In Codan, the positive trend in insurance revenue was driven in particular by sales through partnerships.

Claims

The aggregate claims ratio was 72.8 in Q1 2023. In Alm. Brand, the claims ratio excluding the run-off result was 75.5, against 81.8 in Q1 2022, reflecting a positive effect on claims provisions from the higher interest rate level and lower claims expenses for weather-related claims in particular and to a lesser extent lower claims expenses for major claims. In Codan, the claims ratio was 72.6, reflecting a low underlying claims ratio, but also higher claims expenses for major claims compared with Alm. Brand due to the Codan portfolio's greater exposure to Commercial Lines.

Underlying business
The underlying claims ratio totalled 64.0 in Q1 2023. In Alm. Brand, the underlying claims ratio increased to 68.6. In addition to the above-mentioned threshold change for inclusion as minor claims and major claims, respectively, the frequency of minor claims as well as average claims repair costs were higher in Q1 2023 than in Q1 2022. In aggregate, this served to more than offset the positive effect from a higher interest rate level. The sum of announced premium increases and premium level indexation is still believed to fully compensate for the price increases in claims repair costs in 2023.

Weather-related claims
Expenses for weather-related claims net of reinsurance amounted to DKK 61 million in Q1 2023. As opposed to Q1 2022, the level of claims expenses was within the scope of a normal experience in spite of unusually wet weather conditions and the windstorm Otto, which hit Denmark in February. Weather-related claims amounted to DKK 42 million for Alm. Brand, against DKK 92 million in Q1 2022, and DKK 19 million for Codan. Overall, weather-related claims expenses affected the combined ratio by 2.2%.

Major claims
Claims expenses for major claims net of reinsurance amounted to DKK 270 million. Expenses for major claims totalled DKK 66 million in Alm. Brand, against DKK 143 million in Q1 2022, and DKK 204 million in Codan. A few large claims were reported in the industrial customer segment in Q1, and major claims expenses thus affected the combined ratio by 9.5 percentage points for the group, of which Alm. Brand accounted for 4.6 percentage points and Codan for 14.3 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 73 million in Q1 2023, with positive contributions from personal accident insurance in particular. For Alm. Brand, the run-off result was a gain of DKK 32 million, or 2.2 percentage points. For Codan, the run-off result was a gain of DKK 41 million, or 2.9 percentage points. Overall, run-off gains came to 2.6 percentage points.

Risk margin
The change in the overall risk margin lifted the Q1 performance by DKK 8 million, equivalent to a 0.3 percentage point reduction of the combined ratio.

Insurance operating expenses
Insurance operating expenses amounted to DKK 571 million, and the expense ratio thus came to 20.0.

Following the acquisition of Codan, the cost initiatives already implemented in Alm. Brand were supplemented by a number of measures aimed at realising synergies. Against this backdrop, the expense ratio for Alm. Brand was 17.1, against 18.0 in Q1 2022, and 22.7 for Codan, which as expected included seasonal costs and significant commission expenses due to the insurance policy payment patterns. In aggregate, these costs are estimated to have increased the expense ratio for the group by close to 2.5 percentage points as compared with the other quarters of the year.

Reinsurance result
At the beginning of the new year, the reinsurance market was marked by capacity restraints, resulting in tighter terms and conditions and a general increase in premium levels in connection with renewal of reinsurance programmes. Against this backdrop, Alm. Brand Group's reinsurance costs increased, producing a net loss on reinsurance of DKK 144 million in Q1 2023, equivalent to a reinsurance ratio of 5.0. In Alm. Brand, reinsurance costs were a net expense of DKK 101 million, against an income of DKK 45 million in Q1 2022, when Alm. Brand received reinsurance coverage on a number of claims.

Discounting
The yield curve, which is used for discounting claims provisions, increased by 2-2.5 percentage points including the VA premium at the mid-point of the curve from the level reported at 31 March 2022. The interest rate change is assessed to have improved the combined ratio by close to 2.5 percentage points relative to Q1 2022.

PERSONAL LINES

Personal Lines reported an insurance service result of DKK 111 million. Alm. Brand reported a result of DKK 115 million, against DKK 36 million in the year-earlier period. In Alm. Brand, the combined ratio was thus 83.1, against 94.4 in Q1 2022, reflecting a higher underlying claims experience due to a higher frequency of minor claims combined with a higher average claims expense, but also significant run-off gains for personal accident insurance in particular.

Insurance revenue was DKK 1,273 million, reflecting sustained satisfactory organic growth of 7.4% to DKK 683 million in Alm. Brand. Growth was supported by continued additional sales to existing customers as well as an inflow of new customers, including sustained highly satisfactory developments in sales through partnerships.

The sum of claims expenses and the reinsurance result was an expense of DKK 847 million in total, corresponding to a claims ratio net of reinsurance of 66.6. In Alm. Brand, the claims ratio excluding the run-off result was 74.0, against 73.6 in Q1 2022, as the general, favourable effect from higher interest rates was offset by a higher claims frequency, among other things due to a large number of accidents caused by icy roads, and higher average claims expenses for building and motor claims in particular. In Codan, the claims experience was impacted by the same conditions, resulting in a claims ratio excluding run-off result of 68.5.

In spite of the windstorm Otto and unusually wet weather conditions in January, expenses for weather-related claims of DKK 30 million net of reinsurance were relatively limited compared with Q1 2022. However, it is assessed that weather conditions resulted in increased attention to reporting claims caused by other factors. The effect on the combined ratio was thus 2.4 percentage points in aggregate, against 5.2 percentage points in Q1 2022.

Net of reinsurance, major claims amounted to DKK 15 million in Q1 2023, of which DKK 8 million was attributable to Alm. Brand, against DKK 14 million in Q1 2022, and DKK 7 million to Codan. For Alm. Brand Group, claims expenses for major claims in Personal Lines affected the combined ratio by 1.2 percentage points overall.

Insurance operating expenses amounted to DKK 315 million in total. In Alm. Brand, costs were reduced to DKK 125 million from DKK 129 million in Q1 2022, in spite of rising business volume measured in terms of premium income. The reduction was driven by general operating efficiencies and cost savings from realised synergies.
In Codan, costs amounted to DKK 190 million, which was at the high end of the range for the full year, as in line with expectations they included commission expenses due to insurance policy payment patterns. Overall, the expense ratio was 24.7, with Alm. Brand accounting for 18.3, against 20.3 in Q1 2022, and Codan for 32.0.

The run-off result net of reinsurance was a gain of DKK 62 million, composed of a gain of DKK 63 million attributable in particular to Alm. Brand's personal accident insurance lines, and small loss of DKK 1 million attributable to Codan.

Personal Lines

	Alm. Brand Group	Alm. Brand Forsikring		
DKKm	Q1 2023[1]	Q1 2023[2]	Q1 2022[3]	Change
Insurance revenue	1,273	683	636	47
Claims expenses	-813	-425	-461	36
Insurance operating expenses	-315	-125	-129	4
Profit/loss on reinsurance	-34	-18	-10	-8
Insurance service result	**111**	**115**	**36**	**79**
Run-off gains/losses, net of reinsurance	62	63	-3	66
Gross claims ratio	63.9	62.2	72.5	-10.3
Net reinsurance ratio	2.7	2.6	1.6	1.0
Claims ratio	**66.6**	**64.8**	**74.1**	**-9.3**
Gross expense ratio	24.7	18.3	20.3	-2.0
Combined ratio	**91.3**	**83.1**	**94.4**	**-11.3**
Combined ratio, underlying business	92.4	88.7	86.3	2.4
Weather-related claims, net of reinsurance	2.4	2.0	5.2	-3.2
Major claims, net of reinsurance	1.2	1.2	2.2	-1.0
Run-off gains/losses, net of reinsurance	-4.9	-9.2	0.5	-9.7
Change in risk margin	0.2	0.4	0.2	0.2
Combined ratio	**91.3**	**83.1**	**94.4**	**-11.3**

1) Consolidated insurance revenue and the reinsurance result include a DKK 4 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 1 million and insurance operating expenses are stated less DKK 2 million from the TSA.
3) 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.

COMMERCIAL LINES

Commercial Lines reported an insurance service result of DKK 94 million. Alm. Brand reported a profit of DKK 23 million, against a DKK 118 million loss in the year-earlier period. In Alm. Brand, the combined ratio was thus 96.9, against 116.3 in Q1 2022, due to an overall improvement in the claims experience, a better run-off result and retention of an unchanged satisfactory expense ratio.

Insurance revenue was DKK 1,580 million, reflecting sustained satisfactory organic growth in premiums of 4.6% to DKK 756 million in Alm. Brand, generated by a sustained inflow of new customers and additional sales to existing customers as well as by the implemented price adjustments and premium indexations.

The sum of claims expenses and the reinsurance result was an expense of DKK 1,230 million in total, corresponding to a claims ratio net of reinsurance of 77.9. In Alm. Brand, the claims ratio excluding run-off result declined to 76.8 from 88.9 in Q1 2022, reflecting a highly favourable trend with positive contributions from the higher interest rate level, which especially served to reduce the need to make provisions for long-tail claims obligations in Commercial Lines, as well as a particularly high level of claims in Q1 2022. In Codan, the claims ratio was 80.4 excluding run-off result, 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 70.6.

The windstorm Otto and the very wet weather conditions in January resulted in weather-related claims expenses net of reinsurance of DKK 31 million, equivalent to a seasonally expectable level, affecting the combined ratio by 2.0 percentage points, against 8.2 percentage points in Q1 2022.

Net of reinsurance, major claims amounted to DKK 256 million in Q1 2022, of which DKK 59 million was attributable to Alm. Brand, against DKK 129 million in Q1 2022, and DKK 197 million to Codan. The effect of the above-mentioned changed thresholds for inclusion of claims in the major claims category is reflected in particular in a lower major claims ratio for Alm. Brand's Commercial Lines activities for Q1 2023. On the other hand, the changed threshold causes only a slightly higher major claims ratio in Codan. Major claims affected the combined ratio by 16.2 percentage points in total, against 17.9 percentage points in Q1 2022.

Insurance operating expenses amounted to DKK 256 million in total. In Alm. Brand, expenses amounted to DKK 121 million, against 115 million in Q1 2022, which combined with increased business volume to produce an expense ratio of 16.0, including the effects of implemented cost savings related to the synergy programme, but also higher commission expenses. In Codan, expenses amounted to DKK 135 million, equivalent to an expense ratio of 16.1.

The run-off result net of reinsurance amounted to a gain of DKK 11 million in Q1 2023, composed of a loss of DKK 31 million in Alm. Brand, against a gain of DKK 33 million in Q1 2022, and a gain of DKK 42 million in Codan. Alm. Brand's run-off result included a significant loss related to workers' compensation insurance, while Codan's run-off result included significant gains from building insurance.

Commercial Lines

	Alm. Brand Group	Alm. Brand Forsikring		
DKKm	Q1 2023[1]	Q1 2023[2]	Q1 2022[3]	Change
Insurance revenue	1,580	755	722	33
Claims expenses	-1120	-528	-780	252
Insurance operating expenses	-256	-121	-115	-6
Profit/loss on reinsurance	-110	-83	55	-138
Insurance service result	**94**	**23**	**-118**	**141**
Run-off gains/losses, net of reinsurance	11	-31	-83	52
Gross claims ratio	70.9	69.9	108.0	-38.1
Net reinsurance ratio	7.0	11.0	-7.6	18.6
Claims ratio	**77.9**	**80.9**	**100.4**	**-19.5**
Gross expense ratio	16.2	16.0	15.9	0.1
Combined ratio	**94.1**	**96.9**	**116.3**	**-19.4**
Combined ratio, underlying business	77.2	82.8	77.0	5.8
Weather-related claims, net of reinsurance	2.0	3.7	8.2	-4.5
Major claims, net of reinsurance	16.2	7.8	17.9	-10.1
Run-off gains/losses, net of reinsurance	-0.7	4.1	11.5	-7.4
Change in risk margin	-0.6	-1.5	1.7	-3.2
Combined ratio	**94.1**	**96.9**	**116.3**	**-19.4**

1) Consolidated insurance revenue and the reinsurance result include a DKK 12 million elimination related to the intra-group reinsurance programme, and gross claims expenses are stated less DKK 5 million and insurance operating expenses are stated less DKK 10 million from the TSA.
2) Gross claims expenses are stated less DKK 2 million and insurance operating expenses are stated less DKK 4 million from the TSA.
3) 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.

INVESTMENT RESULT

The investment result after interest on technical provisions was a gain of DKK 149 million, including interest expenses for the group's tier 2 capital, against a gain of DKK 48 million in Q1 2022.

Overall, the investment result was satisfactory, reflecting the positive trend in the financial markets during the first quarter, with rising prices across the asset classes in which Alm. Brand Group is invested.

Total investment assets amounted to DKK 23.2 billion after the acquisition of Codan, against DKK 10.8 billion at 31 March 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.

The return on the portfolio not allocated to the hedging of provisions increased the investment result by DKK 70 million. The global economy improved during the quarter, creating an improved basis for the next quarters. The global economy thus seems to steer clear of a hard landing recession scenario, but financial markets appear to remain highly volatile. The main themes in the first quarter included a continued re-opening of the Chinese economy after the COVID-19 lock-down, falling energy prices, monetary policy tightenings and challenges for the banking sector.

Investment return

DKKm	Q1 2023			Q1 2022		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	20,775	203	0.9%	9,652	-84	-0.9%
Illiquid credit including mortgage deeds	1,468	18	1.0%	550	-19	-4.3%
Shares	541	33	6.1%	376	-38	-10.0%
Properties	372	-1	-0.2%	295	7	2.4%
Total return on investments	**23,156**	**253**	**1.1%**	**10,873**	**-134**	**-1.2%**
Administrative expenses related to investment activities		-9			-6	
Return on and value adjustment of technical provisions		-95			188	
Net investment return		**149**			**48**	

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the period 1 January to 31 March 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 31 March 2023 and of the group’s cash flows for the period 1 January to 31 March 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, 11 May 2023

Rasmus Werner Nielsen
Chief Executive Officer

Anne Mette Toftegaard
Deputy CEO

Board of Directors

Copenhagen, 11 May 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	Q1 2023	Q1 2022	Group FY 2022
Insurance revenue	3,566	1,358	12,262
Insurance service expenses	-3,240	-1,489	-10,921
Reinsurance result	-144	45	-412
Insurance service result	**182**	**-86**	**929**
Interest income and dividens, ect.	47	37	163
Value adjustments	224	-198	-1,249
Interest expenses	-22	-9	-55
Other income	5	8	26
Administrative expenses related to investment activities	-41	-34	-150
Total investment return	**213**	**-196**	**-1,265**
Return on and value adjustment of technical provisions, gross	-93	188	764
Return on and value adjustment of technical provisions, reinsurance	-1	0	-1
Total investment return after return on and value adjustment on technical provisions	**119**	**-8**	**-502**
Other income	76	5	172
Other expenses	-231	-148	-835
Profit/loss before tax	**146**	**-237**	**-236**
Tax	-52	50	66
Profit/loss after tax, continuing activities	**94**	**-187**	**-170**
Profit/loss after tax, discontinuing activities *)	0	544	544
Profit/loss after tax	**94**	**357**	**374**
Earnings per share, DKK, continuing activities	0.1	0.2	0.2
Diluted earnings per share, DKK, continuing activities	0.1	0.2	0.2
Earnings per share, DKK	0.1	0.2	0.2
Diluted earnings per share, DKK	0.1	0.2	0.2

Statement of comprehensive income

DKKm	Group Q1 2023	 Q1 2022	 FY 2022
Comprehensive income			
Profit for the period	94	357	374
Items that are or may be reclassified to profit or loss	*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*
Total other comprehensive income	**0**	**0**	**-2**
Comprehensive income	**94**	**357**	**372**
Proposed allocation of profit/loss:			
Proposed dividend	0	0	462
Additional Tier 1 capital holders	5	0	7
Share attributable to Alm. Brand	89	357	-97
Comprehensive income	**94**	**357**	**372**

Balance sheet

DKKm	31 March 2023	31 March 2022	31 December 2022
			Group
Assets			
Intangible assets	**10,648**	**52**	**10,764**
Tangible assets	**923**	**791**	**914**
Investments in associates	**135**	**0**	**144**
Equities	740	583	722
Unit trust units	21,171	8,234	19,469
Bonds	715	13,966	535
Mortage deeds	416	529	433
Other loans and advances	305	0	311
Deposits in credit institutions	46	252	31
Other	456	235	491
Investments assets	**23,849**	**23,799**	**21,992**
Reinsurers' share of insurance contract provisions	**528**	**446**	**457**
Current tax assets	124	47	67
Deferred tax assets	0	48	0
Other assets	835	457	794
Cash in hand and demand deposits	398	223	458
Total assets	**37,440**	**25,863**	**35,590**

Balance sheet

DKKm	31 March 2023	31 March 2022	31 December 2022
	Group		
Liabilities and equity			
Share capital	1,541	1,541	1,541
Reserves, retained earnings, ect.	11,525	12,131	11,445
Propsed dividend	462	462	462
Consolidated shareholders' equity	13,528	14,134	13,448
Tier 1 capital	397	0	397
Total consolidated equity	**13,925**	**14,134**	**13,845**
Subordinated debt	**1,294**	**1,295**	**1,294**
Provisions for insurance contracts	**18,433**	**8,570**	**16,633**
Deferred tax liabilities	978	16	904
Other provisions	56	32	57
Provisions	**1,034**	**48**	**961**
Issued bonds	150	150	150
Payables to credit institutions and central banks	99	251	143
Other payables	2,505	1,415	2,564
Payables	**2,754**	**1,816**	**2,857**
Total liabilities	**37,440**	**25,863**	**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 Q1 2022:								
Profit/loss for the period				357		357		357
Comprehensive income	0	0	0	357	0	357	0	357
Purchase and sale of treasury shares				-8		-8		-8
Changes in equity	**0**	**0**	**0**	**349**	**0**	**349**	**0**	**349**
Consolidated equity, 31 March 2022	**1,541**	**182**	**0**	**11,949**	**462**	**14,134**	**0**	**14,134**
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**
Consolidated equity, 1 January 2023	**1,541**	**1,092**	**0**	**10,353**	**462**	**13,448**	**397**	**13,845**
Changes in equity Q1 2023:								
Profit/loss for the period				89		89	5	94
Comprehensive income	0	0	0	89	0	89	5	94
Interest paid on Tier 1 capital				0		0	-5	-5
Purchase and sale of treasury shares				-9		-9		-9
Changes in equity	**0**	**0**	**0**	**80**	**0**	**80**	**0**	**80**
Consolidated equity, 31 March 2023	**1,541**	**1,092**	**0**	**10,433**	**462**	**13,528**	**397**	**13,925**

Cash flow statement

DKKm	Q1 2023	Q1 2022	FY 2022
Cash flows from operating activities			
Insurance revenue	5,274	2,048	8,286
Insurance service expenses	-3,275	-1,008	-8,370
Payments concerning reinsurance	-218	-70	9
Cash flows from insurance activities	**1,781**	**970**	**-75**
Interest receivable, dividends, etc.	3	15	218
Interest expenses	-21	-8	-55
Other income and expenses	-61	400	117
Taxes paid/received	-35	-48	-19
Cash flows from operating activities, continuing activities	**1,667**	**1,329**	**186**
Cash flows from operating activities, discontinuing activities	0	-38	-38
Cash flows from operating activities	**1,667**	**1,291**	**148**
Change in investment placement (net)			
Acquisition of intangible assets, furniture, equipment, etc.	0	-11	3
Sale/aquisition of equity investments	-1,515	1,146	-10,651
Acquisition of group enterprise	0	0	-13,347
Divestment of group enterprise	0	0	1,107
Sale/repayment of mortgage deeds and loans	21	55	-161
Sale/aquisition of bonds	-137	-2,093	23,332
Change in investment placement, continuing activities	**-1,631**	**-903**	**283**
Change in investment placement, discontinuing activities	0	164	164
Change in investment placement	**-1,631**	**-739**	**447**

Group	Q1 2023	Q1 2022	FY 2022
Change in financing			
Change in Tier capital	-5	0	390
Sale/purchase of treasury shares	-9	-8	-7
Dividend distributed	0	0	-462
Repayment of subordinated debt	0	0	-1
Change in payables to credit institutions	-44	-71	-179
Change in other liabilities	-23	18	26
Change in financing, continuing activities *)	**-81**	**-61**	**-233**
Change in financing, discontinuing activities	0	-150	-150
Change in financing	**-81**	**-211**	**-383**
Net change in cash and cash equivalents, continuing activities	**-45**	**365**	**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**	**0**	**143**
Cash and cash equivalents, beginning of period, continuing activities	489	110	110
Cash and cash equivalents, end of period	**444**	**475**	**489**

*) The amount of DKK 233 million consists only of cash inflows og outflows.

Segment reporting

DKKm	Personal	Commercial	Non-life	Other	Elimi-nation	Group before adjustments	IFRS 3 adjustments	Group
								Q1 2023
Insurance revenue	1,277	1,592	2,869	0	-16	2,853	713	3,566
Claims paid	-816	-1,126	-1,942	0	0	-1,942	0	-1,942
Net operating expenses	-320	-265	-585	0	0	-585	-713	-1,298
Insurance service expenses	**-1,136**	**-1,391**	**-2,527**	**0**	**0**	**-2,527**	**-713**	**-3,240**
Reinsurance result	-38	-122	-160	0	16	-144	0	-144
Insurance service result	**103**	**79**	**182**	**0**	**0**	**182**	**0**	**182**
Interest income and dividens, ect.			44	18	-15	47	0	47
Value adjustments			230	-6	0	224	0	224
Interest expenses			-22	-15	15	-22	0	-22
Other income			0	5	0	5	0	5
Administrative expenses related to investment activities			-11	-30	0	-41	0	-41
Total investment return			**241**	**-28**	**0**	**213**	**0**	**213**
Return on and value adjustment of technical provisions, gross			-93	0	0	-93	0	-93
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			**147**	**-28**	**0**	**119**	**0**	**119**
Other income			76	0	0	76	0	76
Other expenses			-141	-90	0	-231	0	-231
Profit/loss before tax			**264**	**-118**	**0**	**146**	**0**	**146**
Tax			-76	24	0	-52	0	-52
Profit/loss after tax			**188**	**-94**	**0**	**94**	**0**	**94**

Segment reporting

DKKm	Personal	Commercial	Non-life	Other	Elimi-nation	Group before adjustments	IFRS 3 adjustments	Group
								Q1 2022
Insurance revenue	636	722	1,358	0	0	1,358	0	1,358
Claims paid	-462	-429	-891	0	1	-890	0	-890
Net operating expenses	-130	-468	-598	0	-1	-599	0	-599
Insurance service expenses	**-592**	**-897**	**-1,489**	**0**	**0**	**-1,489**	**0**	**-1,489**
Reinsurance result	-10	55	45	0	0	45	0	45
Insurance service result	**34**	**-120**	**-86**	**0**	**0**	**-86**	**0**	**-86**
Interest income and dividens, ect.			25	12	0	37	0	37
Value adjustments			-155	-43	0	-198	0	-198
Interest expenses			-4	-5	0	-9	0	-9
Other income			0	8	0	8	0	8
Administrative expenses related to investment activities			-7	-27	0	-34	0	-34
Total investment return			**-141**	**-55**	**0**	**-196**	**0**	**-196**
Return on and value adjustment of technical provisions, gross			188	0	0	188	0	188
Return on and value adjustment of technical provisions, reinsurance			0	0	0	0	0	0
Total investment return after return on and value adjustment on technical provisions			**47**	**-55**	**0**	**-8**	**0**	**-8**
Other income			5	0	0	5	0	5
Other expenses			-148	0	0	-148	0	-148
Profit/loss before tax, continuing activities			**-182**	**-55**	**0**	**-237**	**0**	**-237**
Tax, continuing activities			38	12	0	50	0	50
Profit/loss after tax, continuing activities			**-144**	**-43**	**0**	**-187**	**0**	**-187**
Profit/loss after tax, discontinuing activities *)			544	0	0	544	0	544
Profit/loss after tax			**400**	**-43**	**0**	**357**	**0**	**357**

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

Notes

DKKm	31 March 2023	31 March 2022	Group FY 2022
Note 1 Treasury shares			
Nominal value, beginning of year	0	0	0
Acquired during the year	1	1	3
Sold during the year	0	0	-3
Nominal value, end of year	**1**	**1**	**0**
Holding number of shares ('000), beginning of period	117	49	49
Additions, number of shares	1,175	1,018	3,150
Disposals, number of shares	-500	-403	-3,082
Holding number of shares ('000), end of year	**792**	**664**	**117**
Percentage of share capital, end of year	**0.1%**	**0.4%**	**0.0%**
Note 2 Contractual obligation and leasing			
Contractual obligation	719	687	664

The Alm. Brand Group is contractually obliged to pay rent of DKK 453 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 382 million.

Notes

DKKm	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
			31 March 2023				31 December 2022	
Note 3 Fair value measurement of financial instruments								
Financial assets								
Loans and advances	0	0	721	721	0	0	744	744
Bonds	0	715	0	715	0	535	0	535
Shares	20,712	0	1,199	21,911	19,004	0	1,187	20,191
Other assets	0	588	0	588	0	564	0	564
Total financial assets	**20,712**	**1,303**	**1,920**	**23,935**	**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	742	0	742	0	827	0	827
Total financial liabilities	**0**	**742**	**1,841**	**2,583**	**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	Issued bonds (liability)	Subor-dinated debt (liability)
				31 March 2023
Development in level 3 financial instruments				
Carrying amount, beginning of period	744	1,187	150	1,295
Additions during the year	3	22	0	400
Additions during the year relating to acquisition of subsidiary	0	0	0	0
Disposals during the year	-29	-6	0	0
Realised value adjustments	1	0	0	0
Unrealised value adjustments	2	-4	0	-4
Carrying amount, end of period	**721**	**1,199**	**150**	**1,691**
Value adjustments recognised in the income statement	3	-4	0	-4

DKKm	Loans and advances	Shares	Issued bonds (liability)	Subor-dinated debt (liability)
				31 December 2022
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 pages 27-28.

Effect of new accounting policies

	Shareholder’s equity			Profit/loss
	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 the 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 that prevailed at the beginning of May 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 as well as of the individual business areas include changes in economic conditions in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist attacks, bad debts, major changes in the claims experience, unexpected outcomes of legal proceedings, etc.

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

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

Definitions of financial ratios and Alternative Performance Measures (APM)

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

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

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

Gross claims ratio

Gross claims expenses x 100

Insurance revenue

Gross expense ratio

Insurance operating expenses x 100

Insurance revenue

Price/NAV

Share price

Net asset value per share

Combined ratio

(Gross claims expenses + Insurance operating expenses + Profit/loss on reinsurance) x 100

Insurance revenue

Return on equity after tax*

Profit for the year x 100

Average shareholders' equity

Return on equity before tax*

Profit before tax x 100

Average shareholders' equity

Net asset value per share**

Shareholders' equity x 100

No. of shares at year-end

Net reinsurance ratio

Profit/loss on reinsurance x 100

Insurance revenue

Earnings per share**

Profit for the year after tax x 100

Average no. of shares

Claims ratio

Sum of claims ratio and reinsurance ratio

Insurance revenue

Dividend per share

Total amount distributed for the financial year x 100

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

Major claims, net of reinsurance

Insurance revenue

Weather-related claims, net of reinsurance

Weather-related claims, net of reinsurance

Insurance revenue

Change in risk margin

Change in risk margin

Insurance revenue

COVID-19 effect

Estimated effect of COVID-19 on claims expenses

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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