

# ALM. BRAND FORMUE A/S



ANNUAL REPORT 2008



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# COMPANY INFORMATION

## MANAGEMENT BOARD

**Bo Overvad**

## INTERNAL AUDIT

**Poul-Erik Winther**, Group Chief Auditor

## BOARD OF DIRECTORS

**Henrik Nordam**, Chairman

**Søren Boe Mortensen**, Deputy Chairman

**Carsten Dinsen Andersen**

**Poul Juhl Fischer**

**Jacob Schousgaard**

**Peter Reedtz**

## REGISTRATION

Alm. Brand Formue A/S

Company reg. (CVR) no. 27 23 75 25

## AUDITORS

Deloitte

Statsautoriseret Revisionsaktieselskab

## ADDRESS

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# FINANCIAL HIGHLIGHTS AND KEY RATIOS

	DKKm	2008	2007	2006	2005	2004
<b>INCOME STATEMENT</b>	Interest receivable	62.1	71.8	58.4	42.8	29.0
	Interest payable	76.1	83.9	64.2	37.4	21.3
	Net interest income	- 14.0	- 12.1	- 5.8	5.4	7.7
	Dividends on shares, etc.	11.5	12.3	14.1	7.8	4.0
	Fees and commissions paid	7.3	10.4	9.2	29.1	11.0
	Value adjustments of bonds	- 75.6	- 87.8	- 56.3	-7.0	5.1
	Value adjustments of shares	- 260.3	82.6	83,.0	133.1	42,6
	Value adjustments of foreign currency	- 29.6	4.0	2.8	6.1	-2.5
	Value adjustments of derivative financial instruments	14.2	- 23.7	- 0.1	2.6	0.8
	Profit/loss before costs	- 361.1	- 35.1	28.5	118.9	46.7
	Staff costs and administrative expenses	3.6	2.8	2.9	3.1	2.7
	<b>Profit/loss before tax</b>	<b>- 364.7</b>	<b>- 37.8</b>	<b>25.6</b>	<b>115.8</b>	<b>44.0</b>
	Tax	- 26.8	- 29.6	- 11.3	- 6.0	1,8
Profit/loss for the year	- 337.9	- 8.2	36.9	121.8	42.2	
<b>BALANCE SHEET</b>	Bonds	325	1.844	1.471	1.138	544
	Shares	267	681	659	634	253
	Share capital	310	310	310	310	200
	Shareholders' equity	197	534	543	506	238
	Total assets	631	2.584	2.162	1.793	816
<b>FINANCIAL HIGHLIGHTS ETC.</b>	Return on equity before tax	- 99.3%	- 7.0%	4.9%	32.7%	20.3%
	Return on equity after tax	- 92.4%	- 1.5%	7.0%	34.4%	19.4%
	Earnings per share (of DKK 100 each), DKK	- 109.0	- 2.6	11.9	43.0	21.1
	Financial gearing	2.2	3.8	3.0	2.5	2.4
	Bonds as a percentage of assets	51.5%	71.4%	68.0%	63.5%	66.7%
	Shares as a percentage of assets	42.2%	26.4%	30.5%	35.4%	31.0%
	Market price at year-end (B shares), DKK	64.00	170.00	170.50	160.00	120.73
	Net asset value per share, DKK	63.43	172.42	175.06	163.17	119.11
	Price/net asset value	1.00	0.99	0.97	0.98	1.01
	Average no. of shares (of DKK 100 each), DKK	3,100,000	3,100,000	3,100,000	2,833,425	2,000,000

The financial highlights and key ratios have been prepared on the basis of the recommendations of the Danish Society of Financial Analysts.

## ALM. BRAND FORMUE A/S AT A GLANCE:

- The company incurred a loss after tax of DKK 337.9 million.
- Shareholders' equity stood at DKK 196.6 million at 31 December 2008.
- The Board of Directors recommends to the annual general meeting that no dividend be paid.
- The company expects to generate profit in the region of DKK 20 million after tax in 2009.

# OVERVIEW

## FINANCIAL RESULTS

The company incurred a loss before tax of DKK 364.7 million in 2008, as compared with a loss before tax of DKK 37.8 million in 2007. The loss after tax amounted to DKK 337.9 million, against a loss after tax of DKK 8.2 million in 2007. The loss was not satisfactory and exceeded the most recent forecast of a loss in the region of DKK 300 million after tax.

The main items for 2008 are highlighted below.

Interest income was DKK 62.1 million in 2008, against DKK 71.8 million in 2007, while interest expenses amounted to DKK 76.1 million in 2008, as compared with DKK 83.9 million in 2007. The decline in interest income and expenses should be held up against the company's lower gearing.

In 2008, the company received dividends on shares in the amount of DKK 11.5 million, against DKK 12.3 million in 2007.

Fees and commissions paid totalled DKK 7.3 million in 2008, as compared with DKK 10.4 million in 2007. The decline in fees and commissions was attributable to the smaller portfolio under management in 2008.

Value adjustments amounted to a loss of DKK 351.2 million in 2008, as against a loss of DKK 24.9 million in 2007. The negative value adjustments were significantly higher than anticipated and attributable to the financial crisis adversely impacting the equity markets, particularly during the second half of 2008.

Value adjustments were composed of capital losses of DKK 75.6 million on bonds and DKK 260.3 million on equities, a foreign exchange loss of DKK 29.6 million and a capital gain of DKK 14.2 million on financial instruments.

Value adjustments on bonds, which amounted to a loss of DKK 75.6 million in 2008, as against a loss of DKK 87.8 million in 2007, were adversely affected by the rising long-term mortgage bond yields in 2008.

Value adjustments on equities totalled a loss of DKK 260.3 million in 2008, as against a gain of DKK 82.6 million in 2007.

Exchange rate adjustments amounted to a loss of DKK 29.6 million in 2008, as against a gain of DKK 4.0 million in 2007. In 2008, value adjustments were adversely impacted by DKK 22.8 million as a result of forward exchange transactions entered into by the company, and by DKK 6.8 million as a result of the company's portfolio of foreign bonds and foreign equities.

Value adjustments on financial instruments totalled a gain of DKK 14.2 million in 2008, as compared with a loss of DKK 23.7 million in 2007. The positive value adjustments consisted mainly of a capital gain of DKK 63.9 million on equity contracts and a capital loss of DKK 51.4 million on interest rate contracts.



Staff costs and administrative expenses totalled DKK 3.6 million in 2008, against DKK 2.8 million in 2007.

Tax constituted income in the amount of DKK 26.8 million in 2008, as compared with DKK 29.6 million in 2007. In 2004, the company received a binding advance notice from the National Tax Assessment Board that the company's equity investments were not subject to income tax. As the company is taxed jointly with the Alm. Brand Group, the company has recognised a tax receivable in connection with the group's tax charge for 2008.

At 31 December 2008, the company had invested DKK 325 million, or 52% of the company's total assets, in bonds, primarily mortgage bonds, while DKK 267 million, or 42% of the company's total assets, were invested in equities.

To reduce its equity exposure, the company had sold OMXC20 and Euro Stoxx futures representing an exposure value of DKK 108 million at 31 December 2008. Following the reduction, the company had a total equity exposure of DKK 159 million at 31 December 2008.

At 31 December 2008, the company had made investments for an amount of DKK 592 million, as against DKK 2,525 million at the year-earlier date. Loan financing totalled DKK 431 million, equivalent to an equity gearing of 2.2. At 31 December 2007, the company had an equity gearing of 3.8. The company's articles of association prescribe a maximum equity gearing of 4.0.

All debt to credit institutions raised in 2008 was denominated in Danish kroner (DKK), but the company engaged in forward sales of foreign exchange in the forward currency markets, primarily Swiss francs (CHF). At 31 December 2008, the company had open forward exchange transactions in US dollars (USD) and pounds sterling (GBP). The company's transactions in the foreign exchange markets adversely affected its financial performance.



Bo Overvad, CEO

# MANAGEMENT'S REVIEW

## FLUCTUATING MARKETS REQUIRE A PRUDENT INVESTMENT STRATEGY

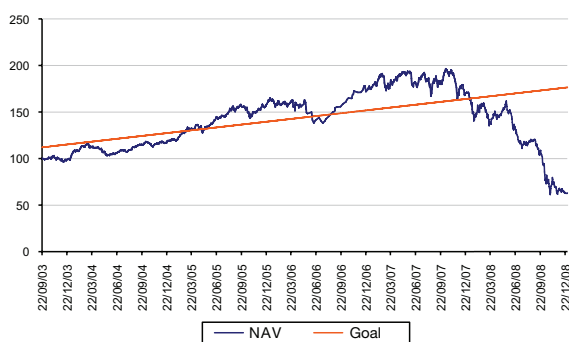
### GOALS AND STRATEGIES

The company's investment strategy is based on a principle of achieving an attractive return by borrowing at short-term interest rates and investing in bonds and equities.

The goal is to generate an annual return after tax of at least 10% seen over a period of five years. The company achieved this goal from its inception in 2003 and until 2007.

The substantial losses that have characterised the financial markets have changed this and, as a result of the very difficult market conditions, the company was unable to retain the value creation for its shareholders in 2008.

### NAV performance



### DEVELOPMENTS IN 2008

Economic indicators and developments in the financial markets were characterised by significant fluctuations in 2008.

Economic indicators changed significantly during the year from moderate optimism to profound pessimism. The indicators suggested a moderate slowdown in growth in the first half of the year followed by a radical shift towards a dramatic and surprising economic slowdown in the second half.

Inflation, which was an overriding theme in 2008, also saw very large fluctuations over the year. At the same time, the financial crisis accelerated on a global scale, triggering an abrupt turn in monetary and fiscal policies.

As a consequence of the turbulent developments, the financial markets experienced extreme fluctuations during the year. This applied to the fixed income, equity and foreign currency markets alike. The fluctuations were so severe and driven by panic that they disabled the ordinary reaction patterns.

### Global economic downturn

The US started 2008 on a weak note. The level of domestic activity was low, and both consumer spending and construction sector investments faltered. Exports, on the other hand, showed strength, not least driven by the continued demand for US goods by Asia and commodity producing countries. A fiscal policy easing of USD 150 billion was introduced to stimulate domestic demand. However, it only produced short-lived positive effects in the second quarter.

Already in the third quarter, the downturn continued, further accelerating towards the end of 2008. Consumer spending plunged, investments halted and foreign demand also declined. The unemployment rate began to surge in the final months of 2008, thereby further aggravating the negative sentiment among consumers and businesses.

The negative developments occurred in spite of several bail-out packages for the financial sector, major interest rate cuts and the outlook for an easing of fiscal policies. The size of the monetary and fiscal policy easing significantly exceeds any initiatives previously implemented.

Europe started on a more positive note than the USA, but already from the second quarter, economic indicators began to paint a negative picture. Consumer spending and investments were hit by rising prices and a strong euro (EUR), which served to dampen competitiveness. Historically, the

European economy has tracked the USA with a delay of six to nine months, but during the second half of 2008, the downturn covered both Europe and the USA, and the European economy is now also hard hit by the economic slowdown. Both the European Central Bank (the ECB) and the European politicians have responded to the crisis, but not to the same degree as in the USA.

After several years of strong growth, the Danish economy ground to an abrupt halt in 2008. Domestic demand decreased substantially over the year, causing negative growth in the second half of 2008. Mounting uncertainty about the financial markets and the housing markets, combined with increased uncertainty about corporate earnings, were the key factors driving down economic activity. Towards the end of the year, exports also began to deteriorate. The Danish economy is thus replicating developments in the US and European markets. Measures to remedy the problems in the financial sector have also been implemented in Denmark, but no specific fiscal initiatives have yet been proposed.

Despite also being affected by the economic slowdown and the financial crisis, Asia was the only bright spot in 2008.

#### **Major inflationary fluctuations**

Inflation trends were synchronous in the USA and Europe in 2008. Surging energy and food prices until mid-2008 gave rise to fears of an outright price/wage spiral, not least in Europe where the ECB raised its key lending rate immediately before the summer period. This had a major impact on long-term interest rates in the first half-year. In the second half of the year, the trend reversed again. A plunge in food and energy prices caused a substantial decline in the rate of inflation at the end of the year, thereby bringing the issue of deflation back on the agenda.

#### **Bond markets highly volatile – mortgage credit market hard hit**

Developments in the European bond markets in 2008 reflected the above trends. During the first six months, long-term interest rates rose sharply and, moreover, the ECB raised its key lending rate as late as in June. The mortgage bond

market was hard hit, primarily because of fears of mounting inflation but also because of the turmoil that characterised the financial sector and the credit markets. During the second half of the year, government bond yields fell. The drop in inflation, combined with a renewed lowering of the ECB's key lending rate, and the status of government bonds as lower-risk securities were major contributors to these developments.

The mortgage credit market remained illiquid in the second half of 2008, and the spread to government bonds widened as a result of widening international credit spreads. Moreover, new massive issues of 30-year government bonds served to reduce market interest in mortgage bonds with the same maturity.

#### **Equity markets – significant falls**

The equity markets were highly volatile in 2008. They fell sharply in the first quarter of the year, regained momentum at the beginning of the second quarter and declined again during the period until November. After that period, the equity markets showed signs of stabilising. Uncertainty about economic developments, the financial crisis and fears of a fall in earnings were the main contributors to the declines.

#### **Traditional funding currencies strengthened**

The currency markets were also hit by the volatility of the financial markets. Over the year, CHF and JPY felt the impacts of the financial crisis and the substantial reductions of geared investments that have taken place. CHF ended the year with a significant strengthening vis-à-vis the Danish krone.

#### **“Normal” correlations disabled**

In normal circumstances, the diversification on various asset types would contribute to lowering the company's exposure. However, the mechanisms underlying developments in 2008 were not “normal”. A combination of risk aversion, the financial crisis and liquidity shortage caused all markets to be hit at the same time. Conventional portfolio theories were therefore disabled in a year when all asset classes were hit by the same factors.

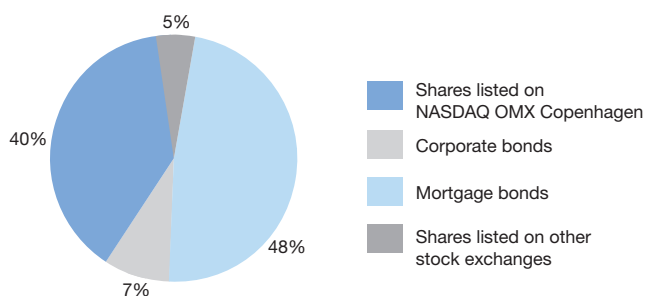


### Financial results

The DKK 337.9 million loss after tax recorded by Alm. Brand Formue was not satisfactory. During the year, the performance gave rise to a reassessment of the company's risk exposure with a view to safeguarding the company's assets in the best way possible.

Alm. Brand Formue began reducing its portfolio of equities already in the second quarter by selling equities and futures. At the beginning of the third quarter, the company chose to further reduce its positions. The portfolio of stocks and bonds was reduced, and the gearing was lowered. The company also reduced its CHF positions in the currency markets. This slightly more defensive investment strategy was retained throughout the remainder of 2008, reducing the gearing to 2.2 at 31 December 2008.

### Portfolio breakdown at 31 December 2008



### OUTLOOK FOR 2009

Alm. Brand Formue expects the financial markets to remain highly volatile during the first quarter of 2009. The global credit crunch is assessed to continue to affect the fixed income and equity markets. The company therefore retains its defensive strategy.

The yield curve is expected to steepen in 2009. Short-term interest rates are expected to fall, primarily as a result of continued interest rate cuts by central banks across Europe and Denmark's Nationalbank, while long-term government

bond yields are expected to rise during the year. Mounting supply pressure as a result of the growing public deficits and the prospects of economic relief spurred by the many bailout packages are considered to be the key drivers of economic performance. Credit bonds, including mortgage bonds, are expected to see a tightening of the spread to government bonds as the turmoil subsides.

The equity markets are currently priced on the basis of a very negative outlook for corporate earnings. The many negative assessments are expected to already have been priced in, and the company therefore expects equity markets to gain momentum over the course of 2009. However, the early months of the year are expected to be extremely volatile.

The company will maintain a relatively prudent investment profile until the markets become more transparent.

The company expects to generate profit in the region of DKK 20 million after tax.

### RISK MANAGEMENT

As an investment company, the company assumes a number of risks on an ongoing basis, including in the form of market risk, credit risk and operational risk. In order to manage these risks, it is important that the company is aware of the size of the individual risks and how they perform. The company has therefore concluded an agreement under which the Alm. Brand Group calculates and reports the company's risks on a regular basis.

In addition to monitoring the company's investment programmes, risk management constitutes valuable input in the investment process, ensuring that the different risks are mutually balanced in the investment strategy.

### Interest rate risk

Interest rate risk expresses the risk of a loss in case of a general one percentage point change in market rates. Interest rate risk is thus based on a measurement of the extent to which a given interest rate change will affect the company's equity given the bonds and types of debt financing included in the company's portfolio.



Made up according to the company's in-house method, the interest rate risk declined during 2008 from DKK 129.0 million at 31 December 2007 to DKK 4.9 million at 31 December 2008. Measured relative to the company's equity, the interest rate risk fell from 24.1% to 2.5%.

#### **Currency risk**

Currency risk reflects the risk of a loss due to changes in exchange rates and is thus based on the extent to which a given change in the exchange rate of specific currencies will affect the company's equity.

The company has limited currency exposure. Expressed in terms of exchange rate indicator 2, the company's currency risk totalled 0.4% of its shareholders' equity at 31 December 2008. Exchange rate indicator 2 takes into consideration differences in the volatility and mutual co-variation of the individual currencies.

#### **Equity risk**

Equity risk reflects the risk of a loss due to a fall in equity prices and is based on the extent to which a given change in equity prices will affect the company's equity.

In accordance with its investment strategy, the company sought to hedge part of the equity risk by way of financial instruments in 2008.

The company's equity exposure declined from DKK 681 million at 31 December 2007 to DKK 159 million at 31 December 2008. The company sold equity futures in 2008 to reduce its equity exposure. Foreign shares accounted for 10.5% of the overall equity portfolio in 2008, as compared with 12.5% at year-end 2007.

#### **Operational risk**

Operational risk may occur as a result of human or technical errors, or because of external events that may entail substantial unforeseen costs or business interruption.

The company may incur direct or indirect financial losses due to operational risk, and therefore commits a good deal of resources to limiting such risk.

The company is subject to the operational risks existing in Alm. Brand Bank, which monitors these risks on an ongoing basis in order to ensure that the necessary contingency measures, controls and resources are in place. The scope of these measures, controls and resources is weighed up against the expenses they involve.

#### **CASH FLOWS**

The company's operating activities generated a cash outflow of DKK 65.1 million in 2008, as against an outflow of DKK 45.6 million in 2007. The cash flow from operating activities was primarily attributable to the company's financial results being composed of unrealised value adjustments of the company's securities portfolio.

The company sold a large part of its bond and equity portfolio in 2008 and, as a result, repaid DKK 1,611 million of its debt to credit institutions.

The sale of bonds and equities triggered a cash inflow of DKK 1,677 million, as compared with a cash outflow of DKK 382 million from bond and equity investments in 2007.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

No events have occurred in the period from the end of the financial year until the date of signature of the annual report which would significantly change an assessment of the annual report.

#### **New act on taxation of investment companies**

On 5 February 2009, a new act was adopted which changes the company's tax status. Under the new act, the company is no longer subject to taxation with effect from 1 January 2009. On the other hand, the company's shareholders will be subject to tax on a current basis on changes in the market value of the company's shares. The overall effect will depend on the tax situation of each individual shareholder. The company will assess whether the new tax rules give rise to any changes in the company's strategy.



### **SHARE INFORMATION**

The price of the company's B shares dropped from DKK 170 at 31 December 2007 to DKK 64 at 31 December 2008. An aggregate of 204,053 B shares were traded in 2008 at an average price of DKK 121, corresponding to a total market value of DKK 25 million.

The company reports its net asset value to NASDAQ OMX Copenhagen A/S on a daily basis. The net asset value was DKK 63.43 at 31 December 2008, as compared with DKK 172.42 at 1 January 2008.

Alm. Brand Bank's ownership share totalled 41.9% at 31 December 2008. Through its holding of A shares, the bank has a controlling interest representing 68.7% of the votes in the company.

Alm. Brand Liv og Pension's ownership interest totalled 9.03% at 31 December 2008, representing 4.9% of the votes in the company.

No other shareholders have notified the company that they hold more than 5% of the share capital or the votes of the company.

#### **Share buyback programme**

The company has not yet made any share buybacks under the approved share buyback programme of DKK 25 million.

#### **Capital reduction**

It was resolved at an extraordinary general meeting held on 9 July 2008 to reduce the company's share capital by DKK 110 million nominal value through a directed share buyback at DKK 118.70 per share.

As a result of developments in the global equity and fixed-income markets in the final six months of 2008, the company did not meet the conditions set out in the Danish Public

Companies Act at the time of the capital reduction. The capital reduction will be implemented as and when the company meets the conditions of the Danish Public Companies Act. If a capital reduction cannot be implemented by 10 July 2009, the resolution to go through with the capital reduction will lapse.

The annual financial statements of Alm. Brand Formue A/S are a component of the consolidated financial statements of Alm. Brand Bank A/S, Alm. Brand A/S and Alm. Brand af 1792 fmba.

### **ANNUAL GENERAL MEETING**

The annual general meeting will be held on Friday, 17 April 2009 at 2 p.m. at Alm. Brand Huset, Midtermolen 7, 2100 Copenhagen Ø.

### **CORPORATE GOVERNANCE**

In response to the new recommendations on corporate governance, NASDAQ OMX Copenhagen A/S introduced in its disclosure obligations effective from the 2006 financial year, the Board of Directors of Alm. Brand Formue has reviewed and considered all recommendations applying the "comply or explain" principle.

The Board of Directors believes that corporate governance should be based on a holistic approach that considers relations and the interaction with all stakeholders. Alm. Brand Formue strives to obtain maximum transparency and openness and thus agrees with the basic principles of the corporate governance recommendations.

This is reflected in the company's management approach, which generally complies with the recommendations on corporate governance. A detailed review of Alm. Brand Formue's position on each recommendation is provided on the company's website. The few areas where Alm. Brand Formue does not comply with the recommendations are discussed below.

### Openness and transparency

It is recommended that information is published in Danish as well as in English. Management considers that, at present, it is not relevant to have an English-language website, as the company is only listed on NASDAQ OMX Copenhagen A/S.

### Board of Directors

Alm. Brand Formue does not provide information about the recommended candidates' qualifications and the criteria for recruitment ahead of the annual general meeting, nor does it provide a list of Board members' qualifications once a year.

Alm. Brand Formue provides information about each individual Board member's affiliation with the Alm. Brand Group and other relevant matters. All Board members serve for periods of one year and may stand for re-election.

Egon Korsbæk resigned from the Board of Directors on 18 November 2008.

The Board of Directors held six meetings in 2008.

### Number of directorships held

Alm. Brand Formue has not defined a maximum number of directorships its Board members may hold. The Board of Directors believes that the factor determining whether Board members are able to perform the duties involved in their office is their work load, not the number of directorships held. Accordingly, the Board of Directors will ensure in an ongoing and dynamic process that each individual member has sufficient time to perform his or her duties on the Board.

### Remuneration to the Board of Directors and the Management Board

Board members of Alm. Brand Formue receive fixed annual remuneration reflecting the scope of the board work and the responsibility related to serving on the Board. Board members are not remunerated by way of incentive plans of any kind.

Members of the company's Management Board receive a fixed basic salary that is intended to be competitive with the remuneration of other, comparable positions in the financial sector. In addition to this salary, the company provides a pension contribution. The remuneration of the Management Board is adjusted annually. No share options are granted to the Management Board.

The company complied with its remuneration policy in 2008.

It is recommended that information about the remuneration of each Board member and each member of the Management Board be provided individually in the annual report. The Board of Directors monitors developments in this area, but does not at this time find that information on an individual basis is required. Accordingly, the company only announces the aggregate remuneration of the Board of Directors and the Management Board. There are no plans to change this policy in 2009.

It is recommended that the company's remuneration policy is mentioned in the chairman's report at the company's general meeting and that the remuneration of the Board of Directors for the present financial year is presented for adoption at the general meeting. The company believes that shareholder interests are sufficiently safeguarded by disclosing the remuneration policy and the remuneration of the Board of Directors for the past financial year in the annual report. The issue may also be taken up at the request of a shareholder.

Overall, the Board of Directors believes that Alm. Brand Formue complies with the corporate governance criteria and that these few exceptions do not constitute a disadvantage or are contrary to the interests of the shareholders or other stakeholders.



**COMPANY ANNOUNCEMENTS IN 2008**

29 January 2008	Change in shareholding
7 February 2008	Annual Report 2007
29 February 2008	Implementation of share buyback programme
27 March 2008	Notice to convene the 2008 annual general meeting
4 April 2008	Complete proposals for the annual general meeting
16 April 2008	Report on the 2008 annual general meeting
21 May 2008	Interim report for the first quarter of 2008
19 June 2008	Notice to convene an extraordinary general meeting
1 July 2008	Complete proposals for the extraordinary general meeting
9 July 2008	Report on the extraordinary general meeting
11 August 2008	Revised guidance for 2008
20 August 2008	Interim report for the first half-year of 2008
10 October 2008	Postponement of capital reduction
14 November 2008	Interim report for the third quarter of 2008
18 November 2008	Resignation from the Board of Directors
3 December 2008	Financial calendar 2009

**FINANCIAL CALENDAR 2009**

5 February 2009	Release of Annual Report 2008
17 April 2009	Annual general meeting
13 May 2009	Release of interim report for the first quarter of 2009
20 August 2009	Release of interim report for the first half-year of 2009
11 November 2009	Release of interim report for the third quarter of 2009



# STATEMENT BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors and the Management Board have today reviewed and approved the annual report for 2008 of Alm. Brand Formue A/S.

The annual report is presented in accordance with the Danish Financial Statements Act and Danish accounting standards. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed companies.

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the company's financial position at 31 December 2008 and of the results of operations and the cash flow of the company for the financial year ended 31 December 2008.

The management's review also gives a true and fair view of developments in the activities and financial position of the company and fairly describes significant risk and uncertainty factors that may affect Alm. Brand Formue A/S.

The annual report is submitted for adoption by the annual general meeting.

## **MANAGEMENT BOARD**

Copenhagen, 5 February 2009

**Bo Overvad**

## **BOARD OF DIRECTORS**

Copenhagen, 5 February 2009

**Henrik Nordam**  
Chairman

**Søren Boe Mortensen**  
Deputy Chairman

**Jacob Schousgaard**

**Carsten Dinsen Andersen**

**Poul Juhl Fischer**

**Peter Reedtz**

# AUDITORS' REPORTS

## INTERNAL AUDIT

We have audited the annual report of Alm. Brand Formue A/S for the financial year ended 31 December 2008, comprising a statement by the Board of Directors and the Management Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements. The annual report is presented in accordance with the Danish Financial Statements Act and Danish accounting standards. In addition, the annual report is presented in accordance with additional Danish disclosure requirements for the annual reports of listed companies.

## Basis of opinion

We conducted our audit on the basis of the executive order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement.

The internal audit department participated in auditing the significant areas and risk areas. In our audit, we reviewed business procedures and internal control procedures, including the risk management implemented by the Board

of Directors and the Management Board, aimed at reporting processes and major business risks. Based on an evaluation of materiality and risk, we tested the basis for the amounts and other disclosures in the annual report, including evidence supporting the amounts and disclosures in the annual report. Our audit also included assessing the accounting policies used and estimates made by the Board of Directors and the Management Board, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

## Opinion

In our opinion, the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2008 and of the results of the company's operations and cash flows for the financial year ended 31 December 2008 in accordance with the Danish Financial Statements Act, Danish accounting standards and additional Danish disclosure requirements for the annual reports of listed companies.

Copenhagen, 5 February 2009

**Poul-Erik Winther**  
Group Chief Auditor



## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholders of Alm. Brand Formue A/S**

We have audited the annual report of Alm. Brand Formue A/S for the financial year ended 31 December 2008, comprising a statement by the Board of Directors and the Management Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements. The annual report is presented in accordance with the Danish Financial Statements Act and Danish accounting standards. In addition, the annual report is presented in accordance with additional Danish disclosure requirements for the annual reports of listed companies.

### **Management's responsibility for the annual report**

The Board of Directors and the Management Board are responsible for preparing and presenting an annual report that gives a true and fair view in accordance with the Danish Financial Statements Act, Danish accounting standards and additional Danish disclosure requirements for the annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility and basis of opinion**

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish auditing standards. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the annual report is free from material misstatement.

Copenhagen, 5 February 2009

### **Deloitte**

Statsautoriseret Revisionsaktieselskab

### **John Ladekarl**

State-Authorised Public Accountant

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

### **Opinion**

In our opinion, the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2008 and of the results of the company's operations and cash flows for the financial year ended 31 December 2008 in accordance with the Danish Financial Statements Act, Danish accounting standards and additional Danish disclosure requirements for the annual reports of listed companies.

### **Jens Ringbæk**

State-Authorised Public Accountant

# **financial statements**

# INCOME STATEMENT

DKK '000	Note	2008	2007
<b>INCOME STATEMENT</b>			
Interest receivable	1	62,141	71,850
Interest payable	2	76,064	83,948
<b>Net interest income</b>		<b>-13,923</b>	<b>-12,098</b>
Dividends on shares, etc.	3	11,460	12,321
Fees and commissions payable	4	7,341	10,425
<b>Net interest and fee income</b>		<b>-9,804</b>	<b>-10,202</b>
Value adjustments	5	-351,245	-24,879
Staff costs and administrative expenses	6	3,634	2,760
<b>Loss before tax</b>		<b>-364,683</b>	<b>-37,841</b>
Tax	7	-26,837	-29,631
<b>Loss for the year</b>		<b>-337,846</b>	<b>-8,210</b>
<b>DISTRIBUTION OF PROFIT</b>			
Loss for the year		-337,846	-8,210
<b>Total amount available for distribution</b>		<b>-337,846</b>	<b>-8,210</b>
Transferred to shareholders' equity		-337,846	-8,210
<b>Total amount used</b>		<b>-337,846</b>	<b>-8,210</b>

# BALANCE SHEET

DKK '000	Note	2008	2007
<b>ASSETS</b>			
<b>Securities and investments</b>			
Bonds at fair value	8	325,310	1,844,131
Shares, etc.	9	266,999	680,799
<b>Total securities and investments</b>		<b>592,309</b>	<b>2,524,930</b>
<b>Receivables</b>			
Current tax assets	10	28,648	31,712
Other assets	11	9,777	26,972
Prepayments and accrued income		6	9
<b>Total receivables</b>		<b>38,431</b>	<b>58,693</b>
<b>Cash and cash equivalents</b>			
Amounts due from credit institutions		415	-
<b>Total cash and cash equivalents</b>		<b>415</b>	<b>-</b>
<b>Total current assets</b>		<b>631,155</b>	<b>2,583,623</b>
<b>Total assets</b>		<b>631,155</b>	<b>2,583,623</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	12	310,000	310,000
Retained earnings		-113,356	224,490
<b>Total shareholders' equity</b>		<b>196,644</b>	<b>534,490</b>
<b>Non-current liabilities</b>			
Amounts due to credit institutions	13,16	-	52,700
<b>Total non-current liabilities</b>		<b>-</b>	<b>52,700</b>
<b>Current liabilities</b>			
Amounts due to credit institutions	13,16	430,543	1,989,085
Other liabilities	14	3,968	7,348
<b>Total current liabilities</b>		<b>434,511</b>	<b>1,996,433</b>
<b>Total debts</b>		<b>434,511</b>	<b>2,049,133</b>
<b>Total liabilities</b>		<b>631,155</b>	<b>2,583,623</b>

# STATEMENT OF CHANGES IN EQUITY

DKK '000	Share capital	Retained earnings	Total
<b>Shareholders' equity at 1 January 2007</b>	310,000	232,700	542,700
<b>Changes in equity in 2007</b>			
Loss for the year		-8,210	-8,210
<b>Comprehensive income in 2007</b>	-	-8,210	-8,210
<b>Total changes in equity in 2007</b>	-	-8,210	-8,210
<b>Shareholders' equity at 31 December 2007</b>	310,000	224,490	534,490
<b>Shareholders' equity at 1 January 2008</b>	310,000	224,490	534,490
<b>Changes in equity in 2008</b>			
Loss for the year		-337,846	-337,846
<b>Comprehensive income in 2008</b>	-	-337,846	-337,846
<b>Total changes in equity in 2008</b>	-	-337,846	-337,846
<b>Shareholders' equity at 31 December 2008</b>	310,000	-113,356	196,644

# CASH FLOW STATEMENT

DKK '000	2008	2007
<b>Operating activities</b>		
Loss for the year before tax	-364,682	-37,841
Tax received for the year	31,625	12,907
Adjustment for amounts with no cash flow impact:		
Operating items with no cash flow impact	267,971	-20,654
Total, operating activities	<u>-65,086</u>	<u>-45,588</u>
<b>Working capital</b>		
Bonds	1,511,767	-437,797
Shares	164,976	56,063
Total, working capital	<u>1,676,743</u>	<u>-381,734</u>
<b>Financing activities</b>		
Amounts due to credit institutions	<u>-1,611,242</u>	427,322
Total, financing activities	<u>-1,611,242</u>	427,322
Change in cash and cash equivalents	415	0
Cash and cash equivalents, beginning of year	0	0
Cash and cash equivalents, year-end	415	0

# NOTES TO THE FINANCIAL STATEMENTS

DKK '000	2008	2007
<b>NOTE 1 Interest receivable</b>		
Amounts due from credit institutions	128	20
Bonds	58,529	66,490
Total derivative financial instruments	3,484	5,334
Of which:		
Foreign exchange contracts	3,484	5,334
Other interest income	-	6
Total interest receivable	62,141	71,850
<b>NOTE 2 Interest payable</b>		
Credit institutions	76,064	83,806
Other interest payable	-	142
Total interest payable	76,064	83,948
<b>NOTE 3 Dividends on shares, etc.</b>		
Shares	11,460	12,321
Total dividends on shares	11,460	12,321
<b>NOTE 4 Fees and commissions payable</b>		
Success fee	-	-
Other fees payable	7,341	10,425
Total fees and commissions payable	7,341	10,425
<p>According to an agreement with external fund managers, the company is charged a performance-related management fee called a success fee. The success fee is payable when the profit before tax and success fee exceed 8% of the company's shareholders' equity at the beginning of the year. The success fee constitutes 20% of this excess return after deduction of any previous years' losses.</p>		
<b>NOTE 5 Value adjustments</b>		
Bonds	-75,604	-87,802
Shares, etc.	-260,311	82,601
Foreign currency	-29,572	3,999
Total derivative financial instruments	14,242	-23,677
Of which:		
Foreign exchange contracts	1,702	-92
Interest rate contracts	-51,368	-23,585
Equity contracts	63,908	-
Total value adjustments	-351,245	-24,879

DKK '000	2008	2007
<b>NOTE 6 Staff costs and administrative expenses</b>		
Remuneration to the Management Board and the Board of Directors:		
Remuneration to the Management Board		
Salaries and wages	279	215
Pensions	20	19
	299	234
Remuneration to the Board of Directors		
Fees	200	200
Total remuneration to the Management Board and the Board of Directors	499	434
Other administrative expenses	3,135	2,326
Total staff costs and administrative expenses	3,634	2,760
<b>Number of employees</b>		
Average number of employees during the financial year, full-time equivalents		
	-	-
<b>Terms applicable to the Management Board</b>		
The Management Board and Alm. Brand Formue A/S have agreed on a mutual extension of the period of notice applicable to salaried employees of three months.		
<b>Audit fees</b>		
Total fees for statutory audit to the firm of auditors appointed by the annual general meeting		
	138	149
Of which non-audit fees	-	52
In addition, expenses are paid for an internal audit. These expenses are included in the management fee paid to the group.		
<b>NOTE 7 Tax</b>		
Current tax on income for the year	-26,830	-29,580
Adjustment of previous years' current tax	-7	-51
Total tax	-26,837	-29,631
<b>Effective tax rate</b>		
Current tax rate	25.0%	25.0%
Adjustment for non-tax items and joint taxation	-17.6%	53.2%
Adjustment of previous years' current tax	0.0%	0.1%
Total effective tax rate	7.4%	78.3%

Adjustment for non-tax items primarily consists of unrealised capital losses on shares that are not subject to tax.



DKK '000	2008	2007
<b>NOTE 8 Bonds at fair value</b>		
Listed on NASDAQ OMX Copenhagen A/S	254,283	1,720,368
Listed on other stock exchanges	71,027	123,763
Total bonds at fair value	<u>325,310</u>	<u>1,844,131</u>

DKK '000	Market value 2008	Distribution in %	Market value 2007	Distribution in %
<b>Mortgage bonds</b>				
Nordea Kredit	-	0.0%	293,041	15.8%
Realkredit Danmark	154,531	47.5%	485,406	26.3%
BRFkredit	-	0.0%	235,633	12.8%
Nykredit	99,752	30.6%	607,088	33.0%
Swedbank	28,864	8.9%	33,664	1.8%
Totalkredit	-	0.0%	99,201	5.4%
<b>Corporate bonds</b>				
	42,163	13.0%	90,098	4.9%
Total bonds at fair value	<u>325,310</u>	<u>100.0%</u>	<u>1,844,131</u>	<u>100.0%</u>

DKK '000	2008	2007
<b>NOTE 9 Shares</b>		
Listed on NASDAQ OMX Copenhagen A/S	238,896	596,027
Listed on other stock exchanges	28,103	84,772
Total shares, etc.	266,999	680,799

DKK '000	2008	Distribution in %	2007	Distribution in %
<b>Listed on NASDAQ OMX Copenhagen A/S</b>		89.5%		87.5%
Nordea Bank AB	6,279	2.6%	14,195	2.4%
Danske Bank A/S	16,287	6.8%	62,565	10.5%
Jyske Bank A/S	3,492	1.5%	21,911	3.7%
Independent New Global	8,740	3.7%	14,484	2.4%
AB Invest Miljøteknologi	3,117	1.3%	5,423	0.9%
Independent Basicenergy Global	2,771	1.2%	5,101	0.9%
Investeringsforeningen Investin, afdeling AMBER Nordic Alpha	5,180	2.2%	10,200	1.7%
Scandium Absolute Return Fund	7,141	3.0%	8,213	1.4%
Ø.K. A/S	1,074	0.5%	2,405	0.4%
Carlsberg A/S	3,956	1.7%	14,253	2.4%
Danisco A/S	6,805	2.8%	11,468	1.9%
Rockwool International A/S	-	0.0%	8,910	1.5%
FLSmidt & Co. A/S	3,510	1.5%	10,124	1.7%
A.P. Møller - Mærsk A	17,835	7.5%	33,975	5.7%
A.P. Møller - Mærsk B	21,412	9.0%	41,453	7.0%
TopDanmark	8,805	3.7%	9,407	1.6%
DSV A/S	13,720	5.7%	36,524	6.1%
William Demant Holding	7,232	3.0%	15,656	2.6%
Vestas Wind Systems A/S	21,273	8.9%	70,707	11.9%
Dampskibsselskabet Norden A/S	5,856	2.5%	18,048	3.0%
Novozymes A/S	16,626	7.0%	23,149	3.9%
GN Store Nord A/S	721	0.3%	2,833	0.5%
Novo Nordisk A/S	28,060	11.7%	94,652	15.9%
Dampskibsselskabet Torm A/S	2,280	1.0%	7,160	1.2%
H. Lundbeck A/S	660	0.3%	828	0.1%
NKT Holding A/S	2,668	1.1%	11,581	1.9%
Coloplast A/S	5,804	2.4%	15,895	2.7%
Group 4 Securicor PLC	9,409	3.8%	15,227	2.6%
TrygVesta A/S	8,183	3.3%	9,680	1.5%
Total listed on NASDAQ OMX Copenhagen A/S	238,896	100.0%	596,027	100.0%

**NOTE 9 Shares - continued**

<b>DKK '000</b>	<b>2008</b>	<b>Distribution in %</b>	<b>2007</b>	<b>Distribution in %</b>
<b>Listed on other stock exchanges</b>		<b>10.5%</b>		<b>12.5%</b>
HSBC Holdings plc	993	3.5%	1,714	2.0%
General Electric Co.	836	3.0%	1,895	2.2%
Ishares S&P 500	-	0.0%	26,501	31.3%
UBS N	636	2.3%	1,930	2.3%
Telefonica SA	2,362	8.4%	3,314	3.9%
BHP Billiton PLC	1,759	6.3%	2,851	3.4%
Ishares germany	5,163	18.4%	9,357	11.0%
Roche Holding AG	1,942	6.9%	2,108	2.5%
Nestle SA A	4,764	17.0%	5,371	6.3%
Telenor ASA	1,928	6.9%	6,673	7.9%
E.ON AG	1,907	6.8%	3,257	3.8%
Allianz SE	1,397	4.9%	2,758	3.3%
IBM	4,416	15.6%	5,587	6.6%
Procter & Gamble Co.	-	0.0%	11,456	13.5%
<b>Total listed on other stock exchanges</b>	<b>28,103</b>	<b>100.0%</b>	<b>84,772</b>	<b>100.0%</b>
<b>Total shares, etc.</b>	<b>266,999</b>		<b>680,799</b>	

DKK '000	2008	2007
<b>NOTE 10 Current tax assets</b>		
Tax receivable, beginning of year	31,712	15,039
Tax received in respect of prior years	-31,649	-14,988
Adjustment of previous years' current tax	7	-51
Current tax for the year	26,830	29,580
Tax paid for the year	1,748	2,132
Tax receivable, year-end	<u>28,648</u>	<u>31,712</u>
<b>NOTE 11 Other assets</b>		
Positive market value of derivative financial instruments	2,938	963
Interest and commissions receivable	6,702	25,998
Other assets	137	11
Total other assets	<u>9,777</u>	<u>26,972</u>
<b>NOTE 12 Share capital</b>		
Unlisted share capital	29,450	29,450
Listed share capital	280,550	280,550
Total share capital, nominal value at year-end	<u>310,000</u>	<u>310,000</u>
Unlisted share capital		
Share capital July 2003	10,000	10,000
Capital increase September 2003	9,000	9,000
Capital increase March 2005	9,500	9,500
Capital increase June 2005	950	950
Total unlisted share capital	<u>29,450</u>	<u>29,450</u>
Listed share capital		
Capital increase September 2003	181,000	181,000
Capital increase March 2005	90,500	90,500
Capital increase June 2005	9,050	9,050
Total listed share capital	<u>280,550</u>	<u>280,550</u>
<p>The company's share capital consists of 294,500 A shares of DKK 100 nominal value each and 2,805,500 B shares of DKK 100 nominal value each.</p>		
<b>NOTE 13 Amounts due to credit institutions</b>		
Long-term debt	-	52,700
Short-term debt	430,543	1,989,085
Total amounts due to credit institutions	<u>430,543</u>	<u>2,041,785</u>

DKK '000	2008	2007
<b>NOTE 14 Other liabilities</b>		
Miscellaneous payables	2,557	2,155
Negative market value of derivative financial instruments	271	2,095
Interest and commissions payable	1,008	2,965
Other liabilities	132	133
Total other liabilities	3,968	7,348

**NOTE 15 Off-balance sheet items**

**Contingent liabilities**

The asset management agreement made with Alm. Brand Bank may be terminated giving 60 months' notice in writing to the end of a month. If the asset management agreement is terminated, Alm. Brand Bank may, pursuant to the articles of association, without notice demand that the company redeem Alm. Brand Bank's shares in whole or in part at the higher of the market value of the B shares and the net asset value of the shares.

**Collateral**

Bonds and shares totalling a market value of DKK 592 million (2007: DKK 2,525 million) have been provided as security for amounts due to credit institutions.

**NOTE 16 By term to maturity**

**Amounts due to credit institutions**

Payables at call	123,618	954,213
Up to and including 3 months	-	780,647
Over 3 months and up to and including 1 year	306,925	254,225
Over 1 year and up to and including 5 years	-	52,700
Total	430,543	2,041,785

**NOTE 17 Risk-weighted items**

**Credit risk on derivative financial instruments**

Positive market value after netting (after counterparty risk)		
Counterparty with a risk weighting of 20%	9,620	1,445

DKK '000	2008	2007
<b>NOTE 18 Market risk</b>		
<b>Foreign exchange risk</b>		
Foreign currency positions:		
Long positions	124,628	547,348
Short positions	9,103	426,804
Exchange rate indicator 1	115,525	398,601
Exchange rate indicator 1 as a percentage of Tier 1 capital after deductions	68.8%	79.3%
Exchange rate indicator 2	866	5,968
Exchange rate indicator 2 as a percentage of Tier 1 capital after deductions	0.4%	1.1%
<b>Interest rate risk</b>		
The Danish FSA's method:		
Total interest rate exposure on debt instruments, etc.	14,114	93,784
Interest rate exposure by currency subject to the greatest risk:		
Currency:		
DKK	12,799	65,388
EUR	1,038	28,202
GBP	184	-
SEK	90	422
USD	3	6
NOK	-	39
CHF	-	-273
Total	<u>14,114</u>	<u>93,784</u>
The company's own method	4,900	128,975

**NOTE 19 Related parties**

Related parties comprise:

- (a) members of the company's Management Board and Board of Directors and their related family members
- (b) companies controlled by members of the Management Board or Board of Directors
- (c) the parent company's management board or board of directors, and
- (d) the Alm. Brand Group, Midtermolen 7, DK-2100 Copenhagen Ø, which exercises a controlling influence on the company.

No loans, charges or guarantees have been granted in respect of members of the Board of Directors or the Management Board, relatives of such persons, companies controlled by members of the Management Board or the Board of Directors, or the management boards or boards of directors of the company's parent companies. Salaries and remuneration to members of the company's Management Board and Board of Directors appear from the note relating to staff costs and administrative expenses.

**NOTE 19 Related parties - continued**

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. As far as the company is concerned, these tasks include lease of premises, administration, bookkeeping and preparation of financial information, etc. Fees for these services are determined on market terms or, in the absence of a clear market, on a cost recovery basis.

The company's parent company is Alm. Brand Bank A/S, which is a wholly-owned subsidiary of the Alm. Brand Group. Alm. Brand Bank is the company's primary banker. This involves the conclusion of a number of agreements between the company and the bank, and a number of transactions are regularly made between the company and the bank. All agreements and transactions between the company and the bank are made on an arm's length or cost recovery basis in accordance with applicable legislation for intra-group transactions.

The company has raised loans and maintains transaction accounts with the bank, and an agreement has been made on interest accruing on accounts with the bank on an arm's length basis.

Part of the company's debt to credit institutions has been raised with ten banks on similar terms and conditions. The chairmen of three of these banks are also members of the Board of Directors of Alm. Brand Formue.

Moreover, the company has signed an agreement with Alm. Brand Bank concerning management of the company's portfolio. All specific investment decisions are made by Alm. Brand Bank pursuant to this asset management agreement. The company therefore buys and sells securities, etc. through the bank.

To ensure ongoing pricing, an agreement has been signed with Alm. Brand Bank to the effect that bid and ask prices for the company's B shares are regularly quoted on NASDAQ OMX Copenhagen A/S.

**Financial relations, Alm. Brand Bank**

Receivables	3,354	9,698
Payables	125,822	1,734,880
Guarantees	-	-
Interest and fee income	19,976	10,585
Interest and fee expenses	65,502	77,527
Administration fee	2,566	1,966
Purchase of securities, etc.	19,564,834	34,071,494
Sale of securities, etc.	20,664,352	34,415,625

DKK '000	Market value 2008		Market value 2007		Average market value 2008		Average market value 2007	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
<b>NOTE 20 Derivative financial instruments</b>								
<b>Foreign exchange contracts</b>								
Forward transactions/futures, bought				392	194	247	221	392
Forward transactions/futures, sold	743		815		1,043	2,322	2,070	768
<b>Interest rate contracts</b>								
Forward transactions/futures, bought				1,333	110	1,068	806	1,114
Forward transactions/futures, sold				44	505	861	87	237
Options, acquired					240			
Options, written						53		
<b>Equity contracts</b>								
Forward transactions/futures, sold	2,195	271			3,158	1,374		
Total	2,938	271	815	1,769	5,250	5,925	3,184	2,511
<b>Unsettled spot transactions</b>								
Foreign exchange transactions, bought			148					
Interest rate transactions, bought				326				
Total unsettled spot transactions	-	-	148	326				
Total	2,938	271	963	2,095				



# ACCOUNTING POLICIES

## GENERAL

The annual report of Alm. Brand Formue A/S is presented in accordance with the provisions of the Danish Financial Statements Act for reporting class D enterprises and Danish accounting standards. In addition, the annual report is presented in accordance with additional Danish disclosure requirements for the annual reports of listed companies.

As provided in section 23(4) of the Danish Financial Statements Act, the layout of the financial statements has been adapted to the company's activities.

The accounting policies are unchanged from the policies applied in the Annual Report 2007.

## Foreign currency

Income and expenses denominated in foreign currency are translated into Danish kroner using the exchange rates prevailing at time of transaction. Assets and liabilities denominated in foreign currency are measured at the rates of exchange published by Danmarks Nationalbank at the balance sheet date. Realised and unrealised exchange rate adjustments are recognised in the income statement.

## Repo/reverse transactions

Securities sold under agreements to repurchase at a later date (repo transactions) remain in the balance sheet. Amounts received are included as amounts owed to the purchaser and are subject to interest at the agreed rate. The securities are measured as if they were still recognised in the balance sheet, and market value adjustments and interest etc. are recognised in the income statement.

Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

## Derivative financial instruments

Derivative financial instruments are measured on initial recognition and subsequently at fair value. The value adjustment is recognised in the income statement.

## Tax

Alm. Brand Formue A/S is subject to mandatory joint taxation with Alm. Brand A/S, as Alm. Brand Bank A/S has a controlling interest in the company.

Current tax assets and liabilities are recognised in the balance sheet at the amount that can be calculated on the basis of the expected taxable income for the year. Current tax assets and liabilities are shown as net amounts to the extent that the amounts can legally be offset against each other and the items are expected to be settled net or simultaneously.

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. Deferred tax is not provided for shares which the company expects to hold for more than three years.

Deferred tax assets, including the tax base of tax losses carried forward, are measured at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

## INCOME STATEMENT

### Income statement items, general

All income and expense items concerning the reporting period of the income statement, irrespective of the time of payment, are stated on an accruals basis.

### Interest, fees and dividends

Interest is accrued and recognised in the income statement at the amounts relating to the reporting period. Fees, etc. are accrued over the lifetime of the transaction and recognised in the income statement at the amounts relating to the reporting period. Dividends are recognised in the income statement from the date of the annual general meeting of the dividend-distributing company or the date interim dividends are declared.

**Value adjustments**

Value adjustments comprise value adjustments of assets and liabilities measured at fair value. The item also includes exchange rate adjustments.

**Tax**

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. Tax for the year is recognised in the income statement as regards the amount attributable to the loss for the year and is recognised directly in equity as regards the amount attributable to movements directly in equity. Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

**BALANCE SHEET****Shares, bonds and derivative financial instruments**

Listed shares, bonds and derivative financial instruments are measured at cost on initial recognition and measured at fair value at the balance sheet date.

**Other assets**

Other assets comprise positive fair values of derivative financial instruments and accrued interest.

**Prepayments and accrued income**

Prepayments and accrued income comprise prepaid expenses concerning subsequent reporting periods.

**Financial liabilities**

Financial liabilities are measured at amortised cost, which largely corresponds to nominal value.

**Other liabilities**

Other liabilities comprise interest and expenses payable and negative fair value of derivative financial instruments.

**INTRA-GROUP TRANSACTIONS**

Intra-group services are settled on market terms or on a cost recovery basis. Intra-group accounts carry interest on market terms. Intra-group transactions in securities and other assets are settled at market prices.

**CASH FLOW STATEMENT**

The cash flow statement shows the company's cash flows for the year divided into cash flows from operating activities, working capital and financing activities.

The cash flow statement is presented using the indirect method and based on the profit/loss for the year.

Cash flows from operating activities include the items of the income statement adjusted for operating items of a non-cash nature.

Cash flows from working capital include assets and liabilities related to operating activities, including loans, deposits etc.

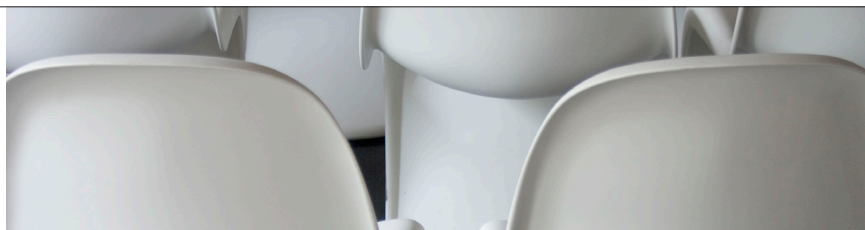
Cash flows from financing activities include financing from shareholders as well as by raising of short-term and long-term loans.

Cash and cash equivalents comprise cash at bank and in hand and balances with credit institutions with a remaining term of up to three months.

# FINANCIAL RATIOS

Financial gearing	=	$\frac{\text{Net interest-bearing debt}}{\text{Shareholders' equity}}$
Bonds as a percentage of assets	=	$\frac{\text{Bonds}}{\text{Total assets}}$
Shares as a percentage of assets	=	$\frac{\text{Shares}}{\text{Total assets}}$
Net asset value per share	=	$\frac{\text{Shareholders' equity at year-end} \times 100}{\text{Share capital at year-end}}$
Price/net asset value	=	$\frac{\text{Market price at year-end}}{\text{Net asset value per share}}$
Average no. of shares (of DKK 100 each)	=	$\frac{(\text{Share capital at year-start} + \text{share capital at year-end}) / 100}{2}$
Average shareholders' equity	=	$\frac{\text{Shareholders' equity at year-start} + \text{shareholders' equity at year-end}}{2}$
Return on equity before tax	=	$\frac{\text{Profit/loss before tax}}{\text{Average shareholders' equity}}$
Return on equity after tax	=	$\frac{\text{Profit/loss after tax}}{\text{Average shareholders' equity}}$
Earnings per share (of DKK 100 each)	=	$\frac{\text{Profit/loss after tax}}{\text{Average no. of shares}}$

The calculations of the average number of shares and average shareholders' equity take into account capital increases. Capital increases are included at a proportionate share relative to the date of the capital contribution.



## DIRECTORSHIPS

### **HENRIK NORDAM**, Chairman

Born 1951

Appointed 1 July 2003

#### **Chief Executive of:**

Alm. Brand Bank A/S

#### **Deputy Chief Executive of:**

Alm. Brand A/S

#### **General Manager of:**

Asgaard Finans A/S

#### **Chairman of the boards of directors of:**

Alm. Brand Finans A/S

Alm. Brand Ejendomsinvest A/S

Alm. Brand Formue A/S

Alm. Brand Pantebreve A/S

Alm. Brand Præmieservice A/S

Forsikringsselskabet Alm. Brand Liv og Pension A/S

#### **Member of the boards of directors of:**

Alm. Brand Forsikring A/S

A/S Det Københavnske Reassurance-Compagni

Alm. Brand Service ApS

Asgaard Finans A/S

Finansieringsselskabet af 9/10 1992 A/S

#### **Directorships outside the Alm. Brand Group**

None

### **SØREN BOE MORTENSEN**, Deputy Chairman

Born 1955

Appointed 1 July 2003

#### **Chief Executive of:**

Alm. Brand A/S

Alm. Brand af 1792 fmba

#### **Chairman of the boards of directors of:**

Alm. Brand Forsikring A/S

A/S Det Københavnske Reassurance-Compagni

Asgaard Finans A/S

Finansieringsselskabet af 9/10 1992 A/S

Alm. Brand Service ApS

Europort Limited

#### **Deputy chairman of the boards of directors of:**

Alm. Brand Pantebreve A/S

Alm. Brand Formue A/S

#### **Member of the boards of directors of:**

Alm. Brand Præmieservice A/S

Alm. Brand Ejendomsinvest A/S

Alm. Brand Bank A/S

Forsikringsselskabet Alm. Brand Liv og Pension A/S

#### **Chairman appointed by the Management Board of:**

Pensionskassen under Alm. Brand A/S

#### **Directorships outside the Alm. Brand Group**

#### **Chairman of the board of directors of:**

Forsikringsakademiet A/S

#### **Member of the board of directors of:**

The Danish Insurance Association

**CARSTEN DINSEN ANDERSEN**

Born 1946

Appointed 22 April 2004

**Member of the board of directors of:**

Alm. Brand Formue A/S

**Directorships outside the Alm. Brand Group****Chairman of the board of directors of:**

Tønder Bank A/S

**POUL FISCHER**

Born 1948

Appointed 22 April 2004

**Member of the board of directors of:**

Alm. Brand Formue A/S

**Directorships outside the Alm. Brand Group****Chairman of the board of directors of:**

Totalbanken A/S

**JACOB SCHOUSGAARD**

Born 1968

Appointed 12 April 2007

**Member of the board of directors of:**

Alm. Brand Formue A/S

**Directorships outside the Alm. Brand Group****Chairman of the boards of directors of:**

Sparekassen Thy

Thy Bolig A/S

Thy Elektro A/S

Vilsund Muslinge Industri A/S

Hanstholm Skibsprovantering A/S

Hanstholm Fisk og Skaldyr A/S

Kemi Service A/S

Tellus & Co. A/S

**Member of the boards of directors of:**

Vilsund Trading A/S

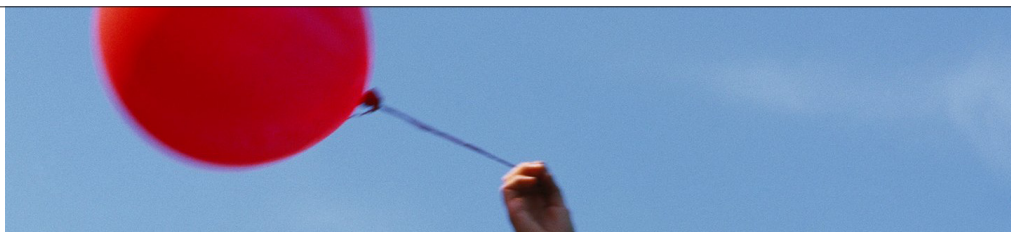
VMI Supply A/S

Tømrerfirmaet M.C. Overgaard A/S

J.O.M. Rustfri Smede og Montage A/S

Havnen Thisted A/S

Kellpo A/S



**PETER REEDTZ**

Born 1956

Appointed 4 April 2006

**Managing Director of:**

Alm. Brand Bank A/S

**Member of the boards of directors of:**

Forsikringsselskabet Alm. Brand Liv og Pension A/S

Alm. Brand Formue A/S

Alm. Brand Pantebreve A/S

**Directorships outside the Alm. Brand Group**

None

**BO OVERVAD**

Born 1958

Appointed 1 March 2007

**Chief Executive of:**

Alm. Brand Formue A/S

**Directorships outside the Alm. Brand Group**

None