

FIRST HALF

**Alm Brand BANK**

**2014**

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## COMPANY INFORMATION

### MANAGEMENT BOARD

**Kim Bai Wadstrøm**, Chief Executive

### INTERNAL AUDITOR

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

### BOARD OF DIRECTORS

**Jørgen H. Mikkelsen**, Chairman

**Boris N. Kjeldsen**, Deputy Chairman

**Arne Nielsen**

**Jan Skytte Pedersen**

**Ebbe Castella**

**Søren Boe Mortensen**

**Christian Bundgaard**, elected by the employees

**Torben Jensen**, elected by the employees

**Pia Støjfer**, elected by the employees

### REGISTRATION

Alm. Brand Bank A/S

Company registration (CVR) no. 81 75 35 12

### ADDRESS

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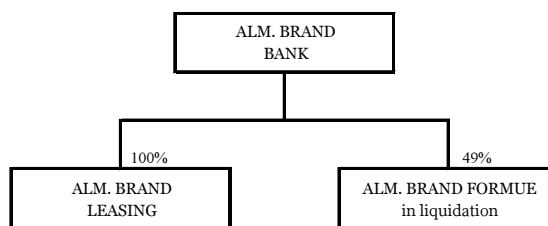
E-mail: [bank@almbrand.dk](mailto:bank@almbrand.dk)

### AUDITORS

Deloitte

Statsautoriseret Revisionspartnerselskab

## GROUP STRUCTURE



The bank has two subsidiaries:

- Alm. Brand Leasing A/S
- Alm. Brand Formue A/S in liquidation

### OWNERSHIP

The bank is wholly-owned by the listed company Alm. Brand A/S.

The group also comprises three wholly-owned subsidiaries, which have been established or acquired in connection with properties taken over temporarily.

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

In addition, the bank acts as depositary bank for:

- Investeringsforeningen Alm. Brand Invest

# FINANCIAL HIGHLIGHTS AND KEY RATIOS

## CONSOLIDATED FIGURES

	Q2	Q1	Q4	Q3	Q2	H1		Year
DKKm	2014	2014	2013	2013	2013	2014	H1 2013	2013
<b>INCOME STATEMENT</b>	<b>FORWARD-LOOKING ACTIVITIES:</b>							
Net interest and fee income, Private	48	43	44	44	43	91	91	179
Trading income (excl. value adjustments)	59	54	78	59	66	113	103	240
Other income	31	29	28	25	18	60	36	89
<b>Total income</b>	<b>138</b>	<b>126</b>	<b>150</b>	<b>128</b>	<b>127</b>	<b>264</b>	<b>230</b>	<b>508</b>
Expenses	-86	-86	-103	-83	-93	-172	-182	-368
Depreciation and amortisation	-20	-17	-17	-14	-11	-37	-21	-52
<b>Core earnings</b>	<b>32</b>	<b>23</b>	<b>30</b>	<b>31</b>	<b>23</b>	<b>55</b>	<b>27</b>	<b>88</b>
Value adjustments	-2	10	-2	-9	-14	8	-22	-33
Profit/loss from investments	0	0	1	-1	0	0	-2	-2
Alm. Brand Formue (the bank's ownership interest)	-1	-4	-5	-7	-12	-5	-13	-25
<b>Profit/loss before impairment writedowns</b>	<b>29</b>	<b>29</b>	<b>24</b>	<b>14</b>	<b>-3</b>	<b>58</b>	<b>-10</b>	<b>28</b>
Impairment writedowns	-7	-7	-44	-18	-26	-14	-56	-118
<b>Profit/loss before tax, forward-looking activities</b>	<b>22</b>	<b>22</b>	<b>-20</b>	<b>-4</b>	<b>-29</b>	<b>44</b>	<b>-66</b>	<b>-90</b>
<i>Off which discontinued activities (see note 6)</i>	<i>-1</i>	<i>0</i>	<i>-1</i>	<i>-3</i>	<i>-6</i>	<i>-1</i>	<i>-3</i>	<i>-6</i>
	<b>WINDING-UP ACTIVITIES:</b>							
Profit/loss before impairment writedowns	-15	-22	-30	-24	-42	-37	-69	-123
Impairment writedowns	-60	-63	-54	-75	-64	-123	-127	-256
<b>Profit/loss before tax, winding-up activities</b>	<b>-75</b>	<b>-85</b>	<b>-84</b>	<b>-99</b>	<b>-106</b>	<b>-160</b>	<b>-196</b>	<b>-379</b>
<b>Total profit/loss before tax and minority interests</b>	<b>-53</b>	<b>-63</b>	<b>-104</b>	<b>-103</b>	<b>-135</b>	<b>-116</b>	<b>-262</b>	<b>-469</b>
Tax	13	17	27	25	-6	30	25	77
<b>Profit/loss for the year before minority interests</b>	<b>-40</b>	<b>-46</b>	<b>-77</b>	<b>-78</b>	<b>-141</b>	<b>-86</b>	<b>-237</b>	<b>-392</b>
Minority interests	0	11	12	15	-17	11	-1	26
<b>Consolidated profit/loss for the year</b>	<b>-40</b>	<b>-35</b>	<b>-65</b>	<b>-63</b>	<b>-158</b>	<b>-75</b>	<b>-238</b>	<b>-366</b>
<b>BALANCE SHEET</b>	<b>Loans and advances, continuing activities</b>							
	2,436	2,510	2,568	2,465	2,583	2,436	2,583	2,568
	<b>Loans and advances, winding-up activities</b>							
	4,414	4,573	4,772	5,067	5,255	4,414	5,255	4,772
	<b>Deposits</b>							
	10,387	10,341	10,936	10,825	11,086	10,387	11,086	10,936
	<b>Shareholders' equity</b>							
	2,021	2,061	1,696	1,761	1,624	2,021	1,624	1,696
	<b>Share attributable to minority interests</b>							
	204	205	193	182	166	204	166	193
	<b>Total assets</b>							
	14,462	15,303	16,296	16,418	18,261	14,462	18,261	16,296
<b>KEY RATIOS ETC.</b>	<b>Average no. of employees (full-time equivalents)</b>							
	252	251	266	262	263	252	261	263
	<b>Interest margin (%)</b>							
	1.6	1.6	1.6	1.7	1.7	1.6	1.5	1.6
	<b>Income/cost ratio</b>							
	0.66	0.62	0.38	0.50	0.14	0.64	0.24	0.38
	<b>Impairment ratio</b>							
	0.3	0.5	2.1	0.6	0.4	0.7	0.8	2.1
	<b>Solvency ratio</b>							
	21.5	21.6	18.4	19.1	18.5	21.5	18.5	18.4

In the management's review, the income statement has been broken down by forward-looking activities and winding-up activities. In Q1 2014, a resolution was made to liquidate Alm. Brand Formue A/S. In accordance with IFRS 5, Alm. Brand Formue A/S and the related income statement items consequently have to be recognised in a separate line item on pages 10-11, whereas in the above highlights and in the forward-looking activities they are included in "Of which discontinued activities". See the accounting policies and note 6 for additional information.

Financial ratios are based on the definitions and guidelines of the Danish FSA and on "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts and comprise continuing, discontinued and winding-up activities.

# REPORT

## Financial results

The bank incurred a loss before tax and excluding minority interests of DKK 53 million in Q2 2014, against a loss of DKK 63 million in Q1 2014. The performance was better than expected, but not satisfactory.

The Q2 loss was composed of a profit of DKK 22 million from forward-looking activities and a loss of DKK 75 million from winding-up activities.

The bank's total impairment writedowns amounted to DKK 67 million in Q2 2014, of which DKK 60 million was attributable to the winding-up portfolio.

The interest margin for the banking group was 1.6% in Q2 2014, which was unchanged from Q1 2014.

In H1 2014, the bank incurred a loss before tax and excluding minority interests of DKK 116 million, of which impairment writedowns amounted to DKK 137 million. The bank's forward-looking activities generated a profit of DKK 44 million, for a year-on-year increase of DKK 110 million. The bank lost DKK 160 million on its winding-up activities, against a loss of DKK 196 million in H1 2013.

## Forward-looking activities

The bank's forward-looking activities generated a pre-tax profit of DKK 22 million in Q2 2014, which was in line with the Q1 level.

The performance was satisfactory and better than expected. The profit was driven by higher income in all business areas and lower expenses than expected.

Core earnings were a profit of DKK 32 million in Q2 2014, marking an improvement of DKK 9 million relative to Q1 2014. The improvement was attributable to higher income driven by higher fee income from private customers and higher trading income. Much of this income was attributable to activities of a non-recurring nature.

In H1 2014, core earnings amounted to a profit of DKK 55 million, marking a twofold increase year-on-year.

## Income

The bank's income from forward-looking activities was DKK 138 million in Q2 2014, an increase of DKK 12 million relative to Q1 2014.

Net interest and fee income from the bank's private customers was DKK 48 million in Q2 2014, up by DKK 5 million on Q1 2014. The improvement was driven by higher fee income.

Trading income excluding value adjustments was DKK 59 million in Q2 2014, against DKK 54 million in Q1 2014. Higher brokerage income in the Financial Markets division in particular served to lift trading income.

Total income amounted to DKK 264 million in H1 2014. This was an increase of DKK 34 million from DKK 230 million in H1 2013.

## Costs

Costs amounted to DKK 86 million in Q2 2014, which was unchanged from Q1 2014.

In H1 2014, costs amounted to DKK 172 million, against DKK 182 million in the same period of last year.

## Value adjustments

Value adjustments amounted to a loss of DKK 2 million in Q2 2014, against a gain of DKK 10 million in Q1 2014.

Interest-related value adjustments amounted to a loss of DKK 8 million in Q2 2014, against DKK 0 million in Q1 2014. The bank's bond portfolio produced a return of 1.9% p.a. in Q2 2014, compared with 2.1% p.a. in Q1 2014. The bond return was highly satisfactory in light of the general market performance.

Equity-related value adjustments produced a gain of DKK 2 million in Q2 2014, against a gain of DKK 6 million in Q1 2014. The decline was due to a first quarter value adjustment of sector equities of DKK 4 million.

Currency-related value adjustments produced a gain of DKK 4 million in Q2 2014, which was on a par with Q1 2014.

In H1 2014, value adjustments amounted to a gain of DKK 8 million, against a loss of DKK 22 million in the year-earlier period.

## Impairment writedowns

Impairment writedowns on the bank's forward-looking activities amounted to an expense of DKK 7 million in Q2 2014, which was unchanged from Q1 2014.

In H1 2014, impairment writedowns amounted to DKK 14 million. The level of impairment writedowns was in line with expectations.

# REPORT

## Business activities

### Private

The bank incurred a pre-tax loss of DKK 10 million in Q2 2014, marking an improvement of DKK 6 million relative to Q1 2014. The improvement was driven by a combination of higher fee income and lower costs.

PRIVATE DKKm	Q2 2014	Q1 2014
Income	48	44
Expenses	-51	-53
<b>Profit/loss before impairment writedowns</b>	<b>-3</b>	<b>-9</b>
Impairment writedowns	-7	-7
<b>Profit/loss before tax</b>	<b>-10</b>	<b>-16</b>

The number of full-service customers continues to grow, sustaining the positive trend from 2013 and the first quarter of 2014. Earnings per household also continued the positive trend from recent quarters, increasing by more than 3% from the first to the second quarter.

The portfolio of Totalkredit loans facilitated through the bank increased by 5%, or more than DKK 200 million, in Q2 2014 alone. At 30 June 2014, the portfolio totalled DKK 4.5 billion.

The bank continues to see weak demand for loans among private customers. Total loans and advances provided to private customers amounted to DKK 2.3 billion at 30 June 2014. In spite of an inflow of new customers and a gross increase in loans and advances of DKK 100 million, lending only grew by DKK 19 million excluding impairment writedowns in Q2 2014. The explanation for this is the continuing trend of existing customers repaying their loans and home loans being converted into mortgage loans with the bank's business partner Totalkredit.

Impairment writedowns amounted to DKK 7 million in Q2, equivalent to 0.3% of the average portfolio.

### Leasing

The bank posted a pre-tax profit of DKK 2 million in Q2 2014, which was in line with Q1 2014.

LEASING DKKm	Q2 2014	Q1 2014
Income	31	28
Expenses	-9	-9
Depreciation and amortisation	-20	-17
<b>Profit/loss before tax</b>	<b>2</b>	<b>2</b>

The leasing portfolio continued to develop favourably, with total assets amounting to DKK 363 mil-

lion, against DKK 186 million in the same period of 2013.

### Financial Markets

The Financial Markets division generated a pre-tax profit of DKK 18 million in Q2 2014, against DKK 17 million in Q1 2014. Core earnings increased by DKK 3 million in the reporting period due to healthy trading activity.

The increase in core earnings was partly offset by declining value adjustments.

FINANCIAL MARKETS DKKm	Q2 2014	Q1 2014
Income	41	37
Expenses	-24	-23
<b>Core earnings</b>	<b>17</b>	<b>14</b>
Value adjustments	1	3
Profit/loss from investments	0	0
<b>Profit/loss before impairment writedowns</b>	<b>18</b>	<b>17</b>
Impairment writedowns	0	0
<b>Profit/loss before tax</b>	<b>18</b>	<b>17</b>

As in the first quarter, the second quarter saw an inflow of new customers to the Financial Markets division as well as an inflow of funds to the Asset Management division.

### Other

Other activities generated a pre-tax profit of DKK 12 million in Q2 2014, compared with a profit of DKK 19 million in Q1 2014. The performance was in line with expectations. The decline relative to the first quarter was mainly due to a lower yet still satisfactory bond return.

OTHER DKKm	Q2 2014	Q1 2014
Income	18	17
Expenses	-2	-1
<b>Core earnings</b>	<b>16</b>	<b>16</b>
Value adjustments	-3	7
Profit/loss from investments	0	0
Alm. Brand Formue (the bank's ownership interest)	-1	-4
<b>Profit/loss before tax</b>	<b>12</b>	<b>19</b>

Alm. Brand Formue has entered into liquidation and constitutes the bank's discontinued activities. See note 6 to the financial statements for more information.

## Winding-up activities

The bank's winding-up activities are primarily composed of agricultural, commercial and mortgage deed exposures.

# REPORT

The winding-up activities reported a loss of DKK 75 million in Q2 2014, against a loss of DKK 85 million in Q1 2014.

The performance was better than expected, among other things driven by value adjustments of assets taken over.

Impairment writedowns amounted to DKK 60 million in Q2 2014, compared with DKK 63 million in Q1 2014.

In H1 2014, the winding-up activities reported a loss of DKK 160 million, against DKK 196 million in the same period of last year. Of the DKK 160 million, impairment writedowns accounted for DKK 123 million, compared with DKK 127 million in H1 2013.

Total loans and advances in the winding-up portfolio declined by DKK 159 million to DKK 4,414 million in Q2 2014, representing 64% of the bank's overall lending portfolio. Adjusted for losses and writedowns, lending declined by DKK 99 million. In H1 2014, loans and advances excluding losses and writedowns fell by DKK 235 million, which was in line with the expected level.

## Agriculture

The agricultural portfolio amounted to DKK 786 million at 30 June 2014, corresponding to 12% of the bank's total loans and advances. Excluding impairment writedowns, the portfolio increased by DKK 4 million and the performance was in line with expectations.

The bank's impairment writedowns amounted to DKK 18 million in Q2 2014. The high level of impairment writedowns was mainly due to the difficult conditions faced by pig farmers.

Impairment writedowns increased by DKK 7 million relative to Q1 2014 due to the adverse development of a single exposure.

## Commercial

The portfolio consists mainly of lending to fund investment properties, lending to businesses and property development projects.

The overall portfolio totalled DKK 1,262 million at 30 June 2014, marking a decline of DKK 67 million since 31 March 2014. The portfolio represents 18% of the bank's total loans and advances.

Overall, no losses or writedowns were recognised on this segment in the second quarter of 2014.

## Mortgage deeds

This segment comprises the bank's portfolio of private and commercial mortgage deeds. The mortgage deed portfolio amounted to DKK 2,366 million at 30 June 2014, a decline of DKK 78 million relative to 31 March 2014.

Mortgage deeds run off naturally as a result of regular payments and redemptions. In Q2 2014, the natural run-off on the mortgage deed portfolio represented approximately 9% p.a., being favourably affected by an increase in redemptions compared with Q1 2014.

Credit-related writedowns amounted to DKK 42 million in Q2 2014, which was on a par with the 2013 quarters.

### Private mortgage deeds

Private mortgage deeds amounted to DKK 1,760 million, comprising the bank's portfolio of mortgage deeds secured primarily against single-family homes, commonhold flats and holiday homes. The properties are located throughout Denmark.

Credit-related writedowns of private mortgage deeds amounted to DKK 30 million in Q2 2014.

DKKm	Loans			Total losses and writedowns				Loss ratio % <sup>a)</sup>
	31.12.2013	30.06.2014	Share of portfolio (%)	Year 2013	Q1 2014	Q2 2014	H1 2014	
Agriculture	820	786	11.5%	101	11	18	29	3.6%
Commercial	1,455	1,262	18.4%	-23	25	0	25	1.8%
Mortgage deeds	2,497	2,366	34.5%	177	27	42	69	2.8%
Shares <sup>b)</sup>	-	-	-	1	-	-	-	-
<b>Winding-up activities</b>	<b>4,772</b>	<b>4,414</b>	<b>64.4%</b>	<b>256</b>	<b>63</b>	<b>60</b>	<b>123</b>	<b>2.7%</b>

a) Losses and writedowns as a percentage of the average portfolio in H1 2014. The percentage is not comparable with the impairment in the bank's financial highlights and key ratios.

b) Shareholding taken over in connection with the winding up of a former credit exposure. Value adjustment of the shareholding is recognised under value adjustments.

# REPORT

## Commercial mortgage deeds

Commercial mortgage deeds amounted to DKK 606 million and comprise mortgage deeds secured against residential rental property, commercial property for office, trade and industrial use as well as land and mixed residential/commercial property.

Credit-related writedowns on commercial mortgage deeds amounted to DKK 12 million in Q2 2014, which was on a par with the first quarter.

## Balance sheet

### Loans and advances

The bank's loans and advances totalled DKK 6,850 million at 30 June 2014, against DKK 7,340 million at 31 December 2013, corresponding to a decline of DKK 490 million.

Excluding intra-group lending and writedowns, loans and advances in H1 2014 declined by DKK 13 million for the forward-looking activities and by DKK 235 million for the winding-up activities.

### Deposits

The bank had deposits of DKK 10.4 billion at 30 June 2014, against DKK 10.9 billion at 31 December 2013. Deposits increased slightly in the second quarter due to an inflow of floating-rate deposits.

There is still a positive shift in the relationship between high-interest fixed-rate deposits and lower-interest floating-rate deposits. A further reduction of the volume of fixed-rate deposits is part of the bank's strategy.

### Liquidity

At 30 June 2014, the bank had cash funds of DKK 4.0 billion and excess liquidity of DKK 2.7 billion, equivalent to an excess cover of 180% relative to the statutory requirement.

The liquidity excess declined by DKK 0.5 billion in the second quarter, among other things due to repayment of tier 2 capital and cessation of the credit facility made available by Danmarks

Nationalbank under which funds could be borrowed against security in loans and advances. The bank's liquidity is developing according to plan, and the bank expects to further reduce its excess liquidity coverage in 2014.

### Capitalisation

The bank's equity stood at DKK 1.8 billion at 30 June 2014. The total capital amounted to DKK 1.8 billion, and the total risk exposure was DKK 8.9 billion at 30 June 2014.

Accordingly, the solvency ratio was 20.2, and the tier 1 capital ratio was 20.2. The bank's adequate total capital was calculated at 14.2%, which means that the solvency ratio exceeded the adequate total capital by 6.0 percentage points.

The banking group's equity stood at DKK 2.0 billion at 30 June 2014. The total capital was DKK 1.9 billion, and the total risk exposure was DKK 8.6 billion at 30 June 2014.

Accordingly, the banking group had a solvency ratio of 21.5, and a tier 1 capital ratio of 21.5. The banking group's adequate total capital was calculated at 14.3%, which means that the solvency ratio exceeded the adequate total capital by 7.2 percentage points.

### Capital reservation for credit risk

The banking group's total capital reservation for credit risk amounted to DKK 3,125 million at 30 June 2014, against DKK 3,149 million at 31 December 2013.

The capital reservation equalled 35% of gross loans and advances and residual debt on mortgage deeds at 30 June 2014, which was an increase of 2 percentage points relative to 31 December 2013.

The capital reservation on the forward-looking portfolio accounted for 19% of gross loans and advances, and the capital reservation on the winding-up portfolio represented 42% of gross loans and advances and residual debt on mortgage deeds.

CAPITAL RESERVATION FOR CREDIT RISK	30.06.2014						31.12.2013	
	Gross lending/ outstanding debt	Balance	Difference <sup>a)</sup>	Required capital	Total reservation	Reservation/ gross lending	Total reservation	Reservation/ gross lending
DKKm								
Forward-looking portfolio	2,663	2,404	259	241	500	19%	500	18%
Winding-up portfolio	6,287	4,414	1,873	744	2,617	42%	2,625	39%
<b>Total - excl. reverse transactions</b>	<b>8,950</b>	<b>6,818</b>	<b>2,132</b>	<b>985</b>	<b>3,117</b>	<b>35%</b>	<b>3,125</b>	<b>33%</b>
Reverse transactions including intercompany transactions	32	32	-	8	8	25%	24	18%
<b>Total group</b>	<b>8,982</b>	<b>6,850</b>	<b>2,132</b>	<b>993</b>	<b>3,125</b>	<b>35%</b>	<b>3,149</b>	<b>33%</b>

a) Accumulated writedowns and value adjustments of mortgage deeds



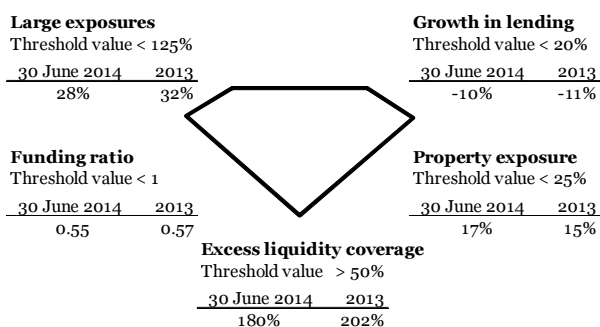
# REPORT

Of the banking group's total capital reservation at 30 June 2014, accumulated writedowns amounted to DKK 1,486 million, against DKK 1,454 million at 31 December 2013. Accumulated writedowns broke down as follows at 30 June 2014: DKK 259 million on the forward-looking portfolio and DKK 1,227 million on the winding-up portfolio. To this should be added a value adjustment of mortgage deeds of DKK 646 million.

## Supervisory diamond

At 30 June 2014, the bank was in compliance with all five threshold values of the Danish FSA's supervisory diamond as shown in the figure below.

The changes to the bank's supervisory diamond values are in line with expectations.



## Major events

### Repayment of tier 2 capital

On 9 May 2014 and 3 June 2014, the bank repaid DKK 100 million and DKK 200 million, respectively, of tier 2 capital. The repayments will not affect the bank's capitalisation, as the loans were no longer eligible for inclusion in the bank's total capital under CRD IV.

### Alm. Brand Formue

The subsidiary Alm. Brand Formue will hold its final general meeting on 4 September 2014. The liquidation process is expected to be completed by the end of the third quarter of 2014.

### Inspection by the Danish FSA

In May 2014, the Danish FSA initiated an inspection of Alm. Brand Bank. The bank expects the inspection to result in a small numbers of orders from the Danish FSA, which have already been complied with or will be complied with shortly.

The FSA report is not expected to affect the bank's full-year profit guidance or the calculated solvency need.

## Outlook

The full-year guidance for the bank's forward-looking activities is upgraded by DKK 10 million to a pre-tax profit of about DKK 50 million after impairment writedowns, which are still expected to be at the level of DKK 35 million.

The guidance for the bank's winding-up activities is improved by DKK 50 million to a pre-tax loss of DKK 325-375 million.

The expectation of a reduction of the bank's winding-up portfolio excluding losses and writedowns of around DKK 500 million in 2014 is maintained.

The guidance is subject to substantial uncertainty, and the actual performance will depend on economic developments, market conditions in general and other factors.

# STATEMENT BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors and the Management Board have today considered and adopted the interim report for the six months ended 30 June 2014 of Alm. Brand Bank A/S.

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

In our opinion, the consolidated and parent company interim financial statements give a true and fair view of the group's and the parent company's assets and liabilities and financial position at 30 June 2014 and of the results of the group's and the parent company's operations and the cash flows of the group for the six months ended 30 June 2014.

Moreover, in our opinion, the management's review includes a fair review of developments in the activities and financial position of the group and the parent company and fairly describes significant risk and uncertainty factors that may affect the group and the bank.

## MANAGEMENT BOARD

Copenhagen, 21 August 2014

**Kim Bai Wadstrøm**

Chief Executive

## BOARD OF DIRECTORS

Copenhagen, 21 August 2014

**Jørgen H. Mikkelsen**

Chairman

**Boris N. Kjeldsen**

Deputy Chairman

**Arne Nielsen**

**Jan Skytte Pedersen**

**Ebbe Castella**

**Søren Boe Mortensen**

**Christian Bundgaard**

**Torben Jensen**

**Pia Støjfer**

# INCOME STATEMENT AND COMPREHENSIVE INCOME

							Parent company
DKK '000	Note	Q2 2014	Q2 2013	H1 2014	H1 2013	Year 2013	
Interest receivable	1	113,974	137,026	233,049	281,273	534,487	
Interest payable	2	52,878	78,781	113,998	175,929	312,994	
<b>Net interest income</b>		<b>61,096</b>	<b>58,245</b>	<b>119,051</b>	<b>105,344</b>	<b>221,493</b>	
Dividend on participating interests		1,093	783	1,117	783	886	
Fees and commissions receivable		51,120	45,629	87,552	82,123	187,315	
Fees and commissions payable		6,616	7,267	12,465	15,078	27,317	
<b>Net interest and fee income</b>		<b>106,693</b>	<b>97,390</b>	<b>195,255</b>	<b>173,172</b>	<b>382,377</b>	
Value adjustments	3	-39,697	-70,250	-60,773	-126,625	-225,022	
Other operating income		1,317	830	3,568	2,485	5,097	
<b>Profit before expenses</b>		<b>68,313</b>	<b>27,970</b>	<b>138,050</b>	<b>49,032</b>	<b>162,452</b>	
Staff costs and administrative expenses	4	91,186	98,215	181,504	191,964	387,904	
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		12	30	24	86	132	
Other ordinary expenses		8,824	15,989	19,164	27,976	43,281	
Impairment of loans, advances and receivables, etc.	5	24,093	43,587	66,498	85,629	196,419	
Profit from participating interests in associated and group undertakings		1,608	-7,500	10,839	-11,023	-16,778	
<b>Profit/loss before tax, continuing activities</b>		<b>-54,194</b>	<b>-137,351</b>	<b>-118,301</b>	<b>-267,646</b>	<b>-482,062</b>	
Tax on continuing activities		-15,016	-3,382	-32,717	-33,913	-96,794	
<b>Profit/loss for the period, continuing activities</b>		<b>-39,178</b>	<b>-133,969</b>	<b>-85,584</b>	<b>-233,733</b>	<b>-385,268</b>	
Profit/loss for the period, discontinued activities	6	-594	-6,446	-580	-2,603	-6,439	
<b>Total profit/loss for the period</b>		<b>-39,772</b>	<b>-140,415</b>	<b>-86,164</b>	<b>-236,336</b>	<b>-391,707</b>	
Items that may be recycled to profit or loss		-	-	-	-	-	
Items that not may be recycled to profit or loss		-	-	-	-	-	
<b>Total comprehensive income for the period</b>		<b>-39,772</b>	<b>-140,415</b>	<b>-86,164</b>	<b>-236,336</b>	<b>-391,707</b>	
<b>PROFIT/LOSS ALLOCATION</b>							
Share attributable to Alm. Brand Bank		-39,772	-140,415	-86,164	-236,336	-391,707	
<b>Transferred to Total shareholders' equity</b>		<b>-39,772</b>	<b>-140,415</b>	<b>-86,164</b>	<b>-236,336</b>	<b>-391,707</b>	

# INCOME STATEMENT AND COMPREHENSIVE INCOME

						Group
DKK '000	Note	Q2 2014	Q2 2013	H1 2014	H1 2013	Year 2013
Interest receivable	1	113,299	138,469	232,316	284,365	539,332
Interest payable	2	52,878	78,780	113,998	175,927	312,991
<b>Net interest income</b>		<b>60,421</b>	<b>59,689</b>	<b>118,318</b>	<b>108,438</b>	<b>226,341</b>
Dividend on participating interests		1,092	783	1,117	783	885
Fees and commissions receivable		52,955	47,394	91,131	85,071	195,337
Fees and commissions payable		6,617	7,271	12,467	15,083	27,321
<b>Net interest and fee income</b>		<b>107,851</b>	<b>100,595</b>	<b>198,099</b>	<b>179,209</b>	<b>395,242</b>
Value adjustments	3	-39,697	-70,250	-60,773	-126,624	-225,022
Other operating income		31,664	15,018	65,662	30,849	78,070
<b>Profit before expenses</b>		<b>99,818</b>	<b>45,363</b>	<b>202,988</b>	<b>83,434</b>	<b>248,290</b>
Staff costs and administrative expenses	4	99,563	106,625	198,397	208,062	419,894
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		19,800	11,013	37,233	21,411	52,356
Other ordinary expenses		9,143	16,083	19,752	28,209	43,815
Impairment of loans, advances and receivables, etc.	5	24,466	42,905	66,650	85,143	196,316
Profit from participating interests in associated and group undertakings		605	1,975	3,008	-528	315
<b>Profit/loss before tax, continuing activities</b>		<b>-52,549</b>	<b>-129,288</b>	<b>-116,036</b>	<b>-259,919</b>	<b>-463,776</b>
Tax on continuing activities		-13,371	4,675	-30,451	-26,193	-78,507
<b>Profit/loss for the period, continuing activities</b>		<b>-39,178</b>	<b>-133,963</b>	<b>-85,585</b>	<b>-233,726</b>	<b>-385,269</b>
Profit/loss for the period, discontinued activities	6	-1,229	-23,809	10,336	-4,091	19,203
<b>Total profit/loss for the period</b>		<b>-40,407</b>	<b>-157,772</b>	<b>-75,249</b>	<b>-237,817</b>	<b>-366,066</b>
Items that may be recycled to profit or loss		-	-	-	-	-
Items that not may be recycled to profit or loss		-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-40,407</b>	<b>-157,772</b>	<b>-75,249</b>	<b>-237,817</b>	<b>-366,066</b>
<b>PROFIT/LOSS ALLOCATION</b>						
Share attributable to Alm. Brand Bank		-39,772	-140,415	-86,164	-236,336	-391,707
Share attributable to minority interests		-635	-17,357	10,915	-1,481	25,641
<b>Transferred to Total shareholders' equity</b>		<b>-40,407</b>	<b>-157,772</b>	<b>-75,249</b>	<b>-237,817</b>	<b>-366,066</b>

**BALANCE SHEET**

DKK '000	Note	Parent company			Group		
		30 June 2014	30 June 2013	31 dec 2013	30 June 2014	30 June 2013	31 dec 2013
<b>ASSETS</b>							
Cash in hand and receivables at call from central banks		216,225	756,088	323,267	216,225	756,088	323,267
Receivables from credit institutions and central banks		663,684	1,012,635	610,854	819,735	1,012,635	610,854
Loans, advances and other receivables at fair value		2,366,254	2,699,590	2,497,207	2,366,254	2,699,590	2,497,207
Loans, advances and other receivables at amortised cost	7	4,942,838	6,125,029	5,603,333	4,483,412	5,138,878	4,842,335
Bonds at fair value		4,810,537	5,261,936	5,232,616	4,810,537	6,312,856	5,955,401
Shares etc.		230,611	276,520	273,064	230,611	581,813	606,167
Participating interests in associated undertakings		43,227	42,466	42,467	43,227	42,466	42,467
Participating interests in group undertakings		72,553	198,185	214,573	-	-	-
Intangible assets		33,399	-	36,960	168,099	-	36,960
Other property, plant and equipment		195	489	442	363,137	186,081	301,088
Current tax assets		260,577	360,309	183,768	230,855	365,591	166,114
Deferred tax assets		158,792	259,654	202,884	301,475	366,861	335,765
Assets held temporarily		36,911	104,968	52,366	41,224	258,081	204,971
Other assets		133,731	490,314	334,730	164,229	521,083	367,043
Prepayments		19,354	19,352	6,335	19,354	19,362	6,346
Discontinued activities		160,322	-	-	203,949	-	-
<b>Total assets</b>		<b>14,149,210</b>	<b>17,607,535</b>	<b>15,614,866</b>	<b>14,462,323</b>	<b>18,261,385</b>	<b>16,295,985</b>

**BALANCE SHEET**

DKK '000	Note	Parent company			Group		
		30 June 2014	30 June 2013	31 dec 2013	30 June 2014	30 June 2013	31 dec 2013
<b>LIABILITIES AND EQUITY</b>							
<b>Payables</b>							
Payables to credit institutions and central banks		1,251,919	2,444,729	1,880,440	1,345,350	2,761,354	2,197,066
Deposits and other payables		10,392,078	11,086,832	10,937,376	10,386,954	11,085,832	10,936,444
Issued bonds		-	950,000	-	-	950,000	-
Liabilities temporarily acquired		13,898	17,789	16,116	13,898	167,261	165,878
Other liabilities		487,653	741,293	566,901	508,510	764,217	589,530
Deferred income		306	912	610	306	912	610
<b>Total payables</b>		<b>12,145,854</b>	<b>15,241,555</b>	<b>13,401,443</b>	<b>12,255,018</b>	<b>15,729,576</b>	<b>13,889,528</b>
<b>Provisions</b>							
Provisions for pensions and similar liabilities		1,656	1,361	1,412	1,656	1,361	1,412
Provisions for losses on guarantees		9,952	5,925	8,150	9,952	5,925	8,150
<b>Total provisions</b>		<b>11,608</b>	<b>7,286</b>	<b>9,562</b>	<b>11,608</b>	<b>7,286</b>	<b>9,562</b>
<b>Subordinated debt</b>							
Tier 2 capital	8	-	300,000	300,000	-	300,000	300,000
Additional tier 1 capital	8	175,000	600,650	400,949	175,000	600,650	400,949
<b>Total subordinated debt</b>		<b>175,000</b>	<b>900,650</b>	<b>700,949</b>	<b>175,000</b>	<b>900,650</b>	<b>700,949</b>
<b>Shareholders' equity</b>							
Share capital	9	1,021,000	1,021,000	1,021,000	1,021,000	1,021,000	1,021,000
Other reserves		63,358	79,398	61,641	-	-	-
Retained earnings		732,390	357,646	420,271	795,748	437,044	481,912
Minority interests		-	-	-	203,949	165,829	193,034
<b>Total shareholders' equity</b>		<b>1,816,748</b>	<b>1,458,044</b>	<b>1,502,912</b>	<b>2,020,697</b>	<b>1,623,873</b>	<b>1,695,946</b>
<b>Total liabilities and equity</b>		<b>14,149,210</b>	<b>17,607,535</b>	<b>15,614,866</b>	<b>14,462,323</b>	<b>18,261,385</b>	<b>16,295,985</b>

See note 11 for a specification of off-balance sheet items.

# STATEMENT OF CHANGES IN EQUITY

DKK '000	Parent company				Group	
	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total
<b>Shareholders' equity at 1 January 2013</b>	1,021,000	78,734	-104,294	995,440	173,196	1,168,636
<b>Equity movements in H1 2013</b>						
Other change in respect of subsidiaries				-	-5,886	-5,886
Profit/loss for the period			-236,336	-236,336	-1,481	-237,817
<b>Comprehensive income in H1 2013</b>	-	-	-236,336	-236,336	-7,367	-243,703
Capital increases			700,000	700,000		700,000
Other change in respect of subsidiaries		664	-1,724	-1,060		-1,060
<b>Total equity movements in H1 2013</b>	-	664	461,940	462,604	-7,367	455,237
<b>Shareholders' equity at 30 June 2013</b>	1,021,000	79,398	357,646	1,458,044	165,829	1,623,873
<b>Shareholders' equity at 1 January 2013</b>	1,021,000	78,734	-104,294	995,440	173,196	1,168,636
<b>Equity movements in 2013</b>						
Profit/loss for the year		-17,093	-374,614	-391,707	25,641	-366,066
<b>Comprehensive income 2013</b>	-	-17,093	-374,614	-391,707	25,641	-366,066
Capital increases			900,000	900,000		900,000
Other change in respect of subsidiaries		-	-821	-821	-5,803	-6,624
<b>Total changes in equity in 2013</b>	-	-17,093	524,565	507,472	19,838	527,310
<b>Shareholders' equity at 31 December 2013</b>	1,021,000	61,641	420,271	1,502,912	193,034	1,695,946
<b>Shareholders' equity at 1 January 2014</b>	1,021,000	61,641	420,271	1,502,912	193,034	1,695,946
<b>Equity movements in H1 2014</b>						
Profit for the period		1,717	-87,881	-86,164	10,915	-75,249
<b>Comprehensive income in H1 2014</b>	-	1,717	-87,881	-86,164	10,915	-75,249
Capital increases			400,000	400,000		400,000
Other change in respect of subsidiaries		-	-	-		-
Tax of equity entries			-	-		-
<b>Total equity movements in H1 2014</b>	-	1,717	312,119	313,836	10,915	324,751
<b>Shareholders' equity at 30 June 2014</b>	1,021,000	63,358	732,390	1,816,748	203,949	2,020,697

# CASH FLOW STATEMENT

	<b>Group</b>		
<b>DKK '000</b>	<b>H1 2014</b>	<b>H1 2013</b>	<b>Year 2013</b>
<b>Operating activities</b>			
Profit for the period before tax	-105,700	-263,259	-443,709
Tax paid during the period	-	-751	282,023
Adjustment for amounts with no cash flow impact:			
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	37,233	21,411	52,356
Impairment of loans, advances and receivables, etc.	62,136	77,438	181,053
Other adjustments to cash flows from operating activities	-20,888	91,024	53,116
<b>Total, operating activities</b>	<b>-27,219</b>	<b>-74,137</b>	<b>124,839</b>
<b>Working capital</b>			
Loans and advances	456,640	403,124	766,216
Deposits	-549,489	-239,100	-388,488
Bonds	914,394	418,292	798,206
Shares	380,931	-33,054	-1,795
<b>Total, working capital</b>	<b>1,202,476</b>	<b>549,262</b>	<b>1,174,139</b>
<b>Investing activities</b>			
Investments in associates	-	-	-
Investments in group enterprises	-	2	9
Property, plant and equipment	-91,807	-49,469	-194,729
<b>Total, investing activities</b>	<b>-91,807</b>	<b>-49,467</b>	<b>-194,720</b>
<b>Financing activities</b>			
Net proceeds from capital increase	400,000	700,000	900,000
Distribution of dividends	-526,447	-530,000	-729,159
Payables to credit institutions	-855,164	1,364,356	800,313
Bonds issued	-	-1,050,000	-2,000,000
<b>Total, financing activities</b>	<b>-981,611</b>	<b>484,356</b>	<b>-1,028,846</b>
<b>Change in cash and cash equivalents</b>	<b>101,839</b>	<b>910,014</b>	<b>75,412</b>
Cash and cash equivalents, beginning of year	934,121	858,709	858,709
Change in cash and cash equivalents	101,839	910,014	75,412
<b>Cash and cash equivalents, end of period</b>	<b>1,035,960</b>	<b>1,768,723</b>	<b>934,121</b>
<b>Cash and cash equivalents, end of period</b>			
Cash in hand and balances at call with central banks	216,225	756,088	323,267
Balances due from credit institutions less than 3 months	819,735	1,012,635	610,854
<b>Cash and cash equivalents, end of period</b>	<b>1,035,960</b>	<b>1,768,723</b>	<b>934,121</b>

See note 6 for influence on discontinued activities.



# SEGMENT INFORMATION

Group

DKK '000

H1 2014

	Private	Leasing	Financial Markets	Other	Total continuing activities before winding up	Winding-up activities	Total continuing activities	Dis-continued activities	Total
Net interest and fee income	90,793	-	-	-	90,793	-4,807	85,986	-	85,986
Trading income (excl. value adjustments)	-	-	75,546	33,723	109,269	-	109,269	198	109,467
Other income	62	58,825	493	-	59,380	2,962	62,342	-	62,342
Total income	90,855	58,825	76,039	33,723	259,442	-1,845	257,597	198	257,795
Expenses	103,836	17,481	47,688	2,576	171,581	46,568	218,149	2,868	221,017
Depreciation	24	37,209	-	-	37,233	-	37,233	-	37,233
Core earnings	-13,005	4,135	28,351	31,147	50,628	-48,413	2,215	-2,670	-455
Value adjustments	265	-	3,633	3,581	7,479	1,556	9,035	13,004	22,039
Profit/loss from investments	-	-	463	-411	52	9,121	9,173	-	9,173
Profit/loss before impairment writedowns	-12,740	4,135	32,447	34,317	58,159	-37,736	20,423	10,334	30,757
Writedowns and credit-related value adjustments	13,769	152	-581	-	13,340	123,126	136,466	-	136,466
Profit/loss before tax	-26,509	3,983	33,028	34,317	44,819	-160,862	-116,043	10,334	-105,709
Tax							-30,451	-9	-30,460
Profit/loss for the period							-85,592	10,343	-75,249
Of which share attributable to minority interests									10,915
Loans and advances	2,299,739	-	103,525	32,263	2,435,527	4,414,139	6,849,666	-	6,849,666
Bonds	-	-	1,856,723	2,953,814	4,810,537	-	4,810,537	-	4,810,537
Lease assets	-	362,941	-	-	362,941	-	362,941	-	362,941
Other assets	4,294	176,805	59,044	1,835,258	2,075,401	203,456	2,278,857	160,322	2,439,179
Total assets	2,304,033	539,746	2,019,292	4,821,335	9,684,406	4,617,595	14,302,001	160,322	14,462,323

## GENERAL

The segment financial statements are segmented according to the group's primary business areas. All activities are located in Denmark. Assets are placed in the business areas to which they are related in terms of operations. All funding is channelled to the bank's treasury function, which is included in the segment other, and which is responsible for the bank's funding and liquidity. Transactions between the segments are settled on market terms. The segment financial statements are in accordance with the bank's internal reporting.

The recognition and measurement criteria are consistent with the group's accounting policies. The line items used are consistent with the financial highlights presented at the beginning of the interim report.

## BUSINESS AREAS

The segment financial statements are segmented according to the group's business areas and have generally been divided into continuing activities and winding-up activities. Continuing activities

comprise areas in which the bank wishes to expand its business volume. Winding-up activities and discontinued activities comprise exposures which the bank wishes to reduce in a responsible and financially appropriate manner.

The individual business areas are described below.

**Private:** Provides advisory services and sells financial products to the bank's private customers, both through branch offices in 11 major Danish towns and cities and online. Drawing on the full range of the group's capabilities, Private offers optimum solutions, including in connection with wealth management and investment.

**Leasing:** Offers operating leases of passenger and commercial vehicles with related car fleet management for businesses. The segment also offers operating leases of passenger cars to private individuals. The business area is anchored in Alm. Brand Leasing A/S, which is a subsidiary of the bank.

# SEGMENT INFORMATION

DKK '000	Group								H1 2013
	Private	Leasing	Financial Markets	Other	Total continuing activities before winding up	Winding-up activities	Total continuing activities	Discontinued activities	Total
Net interest and fee income	90,951	-	-	-	90,951	-9,803	81,148	-	81,148
Trading income (excl. value adjustments)	-	-	90,659	1,365	92,024	-	92,024	20,005	112,029
Other income	715	34,402	463	313	35,893	995	36,888	-	36,888
<b>Total income</b>	<b>91,666</b>	<b>34,402</b>	<b>91,122</b>	<b>1,678</b>	<b>218,868</b>	<b>-8,808</b>	<b>210,060</b>	<b>20,005</b>	<b>230,065</b>
Expenses	105,559	16,329	53,012	6,700	181,600	54,671	236,271	1,678	237,949
Depreciation	73	21,325	-	13	21,411	-	21,411	-	21,411
Core earnings	-13,966	-3,252	38,110	-5,035	15,857	-63,479	-47,622	18,327	-29,295
Value adjustments	247	-	-7,553	-13,821	-21,127	-8,022	-29,149	-21,668	-50,817
Profit/loss from investments	-	-	408	-3,150	-2,742	2,214	-528	-	-528
Profit/loss before impairment writedowns	-13,719	-3,252	30,965	-22,006	-8,012	-69,287	-77,299	-3,341	-80,640
Writedowns and credit-related value adjustments	57,790	-485	-1,867	-	55,438	127,181	182,619	-	182,619
Profit/loss before tax	-71,509	-2,767	32,832	-22,006	-63,450	-196,468	-259,918	-3,341	-263,259
Tax	-	-	-	-	-	-	-26,193	751	-25,442
Profit/loss for the period	-	-	-	-	-	-	-233,725	-4,092	-237,817
Of which share attributable to minority interests	-	-	-	-	-	-	-	-	-1,481
Loans and advances	2,327,851	-	97,225	158,052	2,583,128	5,255,340	7,838,468	-	7,838,468
Bonds	-	-	2,454,404	2,807,533	5,261,937	-	5,261,937	1,050,919	6,312,856
Lease assets	-	185,592	-	-	185,592	-	185,592	-	185,592
Other assets	4,635	151,436	207,403	2,811,015	3,174,489	434,339	3,608,828	315,641	3,924,469
<b>Total assets</b>	<b>2,332,486</b>	<b>337,028</b>	<b>2,759,032</b>	<b>5,776,600</b>	<b>11,205,146</b>	<b>5,689,679</b>	<b>16,894,825</b>	<b>1,366,560</b>	<b>18,261,385</b>

**Financial Markets:** Comprises Markets and Asset Management. The Markets department handles all of the bank's financial market activities, providing advisory services on and performs securities and currency transactions. In addition, Markets prepares research reports on developments in fixed income, equity and foreign exchange markets. Asset Management has assets under management for both institutional and private investors.

**Other:** Comprises the bank's treasury function, which is responsible for the bank's composition of funding and liquidity management, including the bank's own portfolio. All funding procured by the bank's other business areas is channelled to Treasury, which is responsible for allocation and settlement to the individual business areas. Funding is allocated at a price equivalent to the actual cost of procuring the funding plus a spread to cover administrative expenses and any risks.

**Winding-up:** This is the only business area included under winding-up activities and comprises exposures to small and medium-sized commercial customers, agricultural customers, property development projects, mortgage deeds and a portfolio of car finance contracts. Efforts are made to gradually reduce these exposures, a process which is expected to extend over a number of years.

**Alm. Brand Formue (discontinued activities):** Comprises the listed company Alm. Brand Formue A/S, which entered into liquidation in March 2014. The company had investments in shares and bonds, all of which have now been sold. At 31 March, Alm. Brand Formue's assets consisted exclusively of cash funds and accruals. The bank's hedging of the indirect equity risk has also been closed down. The realised result from the equity hedging is recognised under the business area. See note 6 for additional information.

# NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company			Group		
	H1 2014	H1 2013	Year 2013	H1 2014	H1 2013	Year 2013
<b>NOTE 1 Interest receivable</b>						
Balances due from credit institutions and central banks	424	289	719	424	289	719
Loans, advances and other receivables	196,726	224,019	435,999	195,993	227,110	440,844
Bonds	51,228	77,354	135,488	51,228	77,355	135,488
Total derivatives	-15,616	-20,395	-37,727	-15,616	-20,395	-37,727
Of which:						
Foreign exchange contracts	611	-302	-1,603	611	-302	-1,603
Interest rate contracts	-16,227	-20,093	-36,124	-16,227	-20,093	-36,124
Other interest income	287	6	8	287	6	8
<b>Total interest receivable</b>	<b>233,049</b>	<b>281,273</b>	<b>534,487</b>	<b>232,316</b>	<b>284,365</b>	<b>539,332</b>
Interest receivable from genuine purchase and resale transactions:						
Balances due from credit institutions and central banks	-113	-29	-117	-113	-29	-117
Loans, advances and other receivables	-	-14	-20	-	-14	-20
<b>NOTE 2 Interest payable</b>						
Credit institutions and central banks	1,423	1,810	3,228	1,423	1,809	3,229
Deposits and other payables	98,370	118,758	227,484	98,370	118,756	227,480
Bonds issued	-	10,662	10,662	-	10,662	10,662
Total subordinated debt	13,908	44,312	70,897	13,908	44,312	70,897
Other interest expenses	297	387	723	297	388	723
<b>Total interest payable</b>	<b>113,998</b>	<b>175,929</b>	<b>312,994</b>	<b>113,998</b>	<b>175,927</b>	<b>312,991</b>
Interest payable on genuine sale and repurchase transactions:						
Payables to credit institutions and central banks	141	129	226	141	129	226
Deposits and other payables	-	3	5	-	3	5
<b>NOTE 3 Value adjustments</b>						
Loans, advances and other receivables at fair value	-29,352	-151,637	-245,828	-29,352	-151,637	-245,828
Bonds	1,356	-28,717	-45,388	1,356	-28,717	-45,388
Shares, etc.	11,508	10,475	20,043	11,508	10,475	20,043
Intangible assets	-2,218	-	-3,958	-2,218	-	-3,957
Foreign currency	6,893	-9,362	-7,590	6,893	-9,362	-7,591
Total derivatives	-48,716	52,616	57,750	-48,716	52,617	57,750
Other liabilities	-244	-	-51	-244	-	-51
<b>Total value adjustments</b>	<b>-60,773</b>	<b>-126,625</b>	<b>-225,022</b>	<b>-60,773</b>	<b>-126,624</b>	<b>-225,022</b>

# NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company			Group		
	H1 2014	H1 2013	Year 2013	H1 2014	H1 2013	Year 2013
<b>NOTE 4 Staff costs and administrative expenses</b>						
Remuneration to the Management Board and Board of Directors:						
Remuneration to the Management Board:						
Salaries and wages	1,488	1,346	2,799	1,488	1,346	2,799
Pensions	158	166	333	158	166	333
<b>Total remuneration to the Management Board</b>	<b>1,646</b>	<b>1,512</b>	<b>3,132</b>	<b>1,646</b>	<b>1,512</b>	<b>3,132</b>
Remuneration to the Board of Directors:						
Fees	640	512	1,112	651	513	1,112
<b>Total remuneration to the Management Board and Board of Directors</b>	<b>2,286</b>	<b>2,024</b>	<b>4,244</b>	<b>2,297</b>	<b>2,025</b>	<b>4,244</b>
Staff costs:						
Salaries and wages	81,378	82,699	161,610	81,366	82,699	161,610
Pensions	8,506	8,665	17,508	8,506	8,665	17,508
Social security costs	9,589	9,237	17,107	9,589	9,237	17,108
<b>Total staff costs</b>	<b>99,473</b>	<b>100,601</b>	<b>196,225</b>	<b>99,461</b>	<b>100,601</b>	<b>196,226</b>
Other administrative expenses	79,745	89,339	187,435	96,639	105,436	219,424
<b>Total staff costs and administrative expenses</b>	<b>181,504</b>	<b>191,964</b>	<b>387,904</b>	<b>198,397</b>	<b>208,062</b>	<b>419,894</b>
<b>Number of employees</b>						
Average number of employees during the financial year, full-time equivalents						
	252	261	263	252	261	263
<b>NOTE 5 Impairment of loans, advances and receivables, etc.</b>						
Individual assessment:						
Impairment and value adjustments, respectively, during the year	145,627	172,047	331,977	146,436	173,201	333,074
Reversal of impairment in previous years	71,307	90,312	120,265	71,833	91,174	121,293
<b>Total individual assessment</b>	<b>74,320</b>	<b>81,735</b>	<b>211,712</b>	<b>74,603</b>	<b>82,027</b>	<b>211,781</b>
Group assessment:						
Impairment and value adjustments, respectively, during the year	40,124	46,555	50,824	40,236	46,659	50,986
Reversal of impairment in previous years	37,931	39,450	61,406	38,327	40,366	62,896
<b>Total group assessment</b>	<b>2,193</b>	<b>7,105</b>	<b>-10,582</b>	<b>1,909</b>	<b>6,293</b>	<b>-11,910</b>
Losses not previously provided for	12,828	16,835	34,952	13,574	17,509	37,239
Bad debts recovered	22,843	20,046	39,663	23,436	20,686	40,794
<b>Total impairment of loans, advances and receivables, etc., end of period</b>	<b>66,498</b>	<b>85,629</b>	<b>196,419</b>	<b>66,650</b>	<b>85,143</b>	<b>196,316</b>

# NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company			Group		
	H1 2014	H1 2013	Year 2013	H1 2014	H1 2013	Year 2013
<b>NOTE 6 Discontinued activities</b>						
Discontinued activities comprise the subsidiary Alm. Brand Formue A/S, which entered into liquidation in March 2014. The income statement comprises the results of Alm. Brand Formue A/S, the results of equity risk hedging in the company, the bank's trading income relating to Alm. Brand Formue A/S and interest on loans provided to Alm. Brand Formue A/S. No funding costs have been allocated to the discontinued activities.						
<b>Income statement</b>						
Net interest and fee income	3,594	11,316	19,770	3,594	11,316	19,770
Value adjustment	-14,564	-12,526	-47,660	-14,564	-12,526	-47,660
Profit/loss of Alm. Brand Formue A/S	10,390	-1,394	21,451	21,305	-2,881	47,093
Profit/loss on discontinued activities	-580	-2,604	-6,439	10,335	-4,091	19,203
<b>Cash flows</b>						
Cash flows from operating activities				27,554	-21,244	-2,211
Cash flows from investing activities				1,054,636	-194,890	139,046
Cash flows from financing activities				-321,627	21,479	17,578
Total cash flows				<b>760,563</b>	<b>-194,655</b>	<b>154,413</b>

Alm. Brand Formue A/S had no debt as at the balance sheet date on 30 June 2014, and the assets consist of cash funds, which are recognised in the consolidated financial statements under discontinued activities with respect to the part expected to be attributable to minority shareholders. The bank's ownership interest in Alm. Brand Formue A/S is included in the parent company balance sheet.

## NOTE 7 Loans, advances and other receivables at amortised cost

Loans and advances	6,417,127	7,580,110	7,046,173	5,913,661	6,532,346	6,235,881
Leases	-	-	-	46,192	65,550	52,185
Total before impairment, etc.	6,417,127	7,580,110	7,046,173	5,959,853	6,597,896	6,288,066
Impairment, etc.	1,474,289	1,455,081	1,442,840	1,476,441	1,459,018	1,445,731
<b>Loans, advances and other receivables at amortised cost, end of period</b>	<b>4,942,838</b>	<b>6,125,029</b>	<b>5,603,333</b>	<b>4,483,412</b>	<b>5,138,878</b>	<b>4,842,335</b>

## NOTE 8 Subordinated debts

Tier 2 capital:

Floating rate bullet loans in DKK maturing 9 May 2014	-	100,000	100,000	-	100,000	100,000
Floating rate bullet loans in DKK maturing 3 December 2015	-	200,000	200,000	-	200,000	200,000
Tier 2 capital, end of period	-	300,000	300,000	-	300,000	300,000

# NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company			Group		
	H1 2014	H1 2013	Year 2013	H1 2014	H1 2013	Year 2013
<b>NOTE 8 Subordinated debts - continued</b>						
Additional tier 1 capital:						
Fixed rate bullet loans in DKK with indefinite terms	175,000	175,000	175,000	175,000	175,000	175,000
State-funded capital injection, bullet loan in DKK with an indefinite term	-	425,650	225,949	-	425,650	225,949
<b>Additional tier 1 capital, end of period</b>	<b>175,000</b>	<b>600,650</b>	<b>400,949</b>	<b>175,000</b>	<b>600,650</b>	<b>400,949</b>
<b>Subordinated debt, end of period</b>	<b>175,000</b>	<b>900,650</b>	<b>700,949</b>	<b>175,000</b>	<b>900,650</b>	<b>700,949</b>
Interest on subordinated debt	13,908	44,312	70,897	13,908	44,312	70,897
Of this, amortisation of costs incurred on raising the debt	51	542	841	51	542	841
Extraordinary instalments	426,000	430,000	630,000	426,000	430,000	630,000
<b>NOTE 9 Share capital</b>						
Unlisted share capital:						
Nominal value at 1 January 2008	351,000	351,000	351,000	351,000	351,000	351,000
Capital increase April 2009	300,000	300,000	300,000	300,000	300,000	300,000
Capital increase September 2009	90,000	90,000	90,000	90,000	90,000	90,000
Capital increase November 2009	280,000	280,000	280,000	280,000	280,000	280,000
<b>Nominal value, end of period</b>	<b>1,021,000</b>	<b>1,021,000</b>	<b>1,021,000</b>	<b>1,021,000</b>	<b>1,021,000</b>	<b>1,021,000</b>
The share capital consists of 1,021,000 shares of DKK 1,000 nominal value and is paid up in full.						
<b>NOTE 10 Total capital</b>						
Shareholders' equity	1,816,748	1,458,044	1,502,912	2,020,697	1,623,873	1,695,946
Deferred tax assets	-158,792	-259,654	-202,884	-301,475	-366,861	-335,765
<b>Common tier 1 capital</b>	<b>1,657,956</b>	<b>1,198,390</b>	<b>1,300,028</b>	<b>1,719,222</b>	<b>1,257,012</b>	<b>1,360,181</b>
Additional tier 1 capital	175,000	600,650	400,949	175,000	600,650	400,949
Reduction additional tier 1 capital	-43,750	-	-	-43,750	-	-
Deduction of ownership interest in financial institution	-	-22,278	-26,840	-	-28,627	-64,492
<b>Tier 1 capital</b>	<b>1,789,206</b>	<b>1,776,762</b>	<b>1,674,137</b>	<b>1,850,472</b>	<b>1,829,035</b>	<b>1,696,638</b>
Tier 2 capital	-	300,000	300,000	-	300,000	300,000
Deduction of ownership interest in financial institution	-	-22,278	-26,840	-	-28,627	-64,492
Reduction of 25% per year in the three final years of the term to maturity	-	-125,000	-175,000	-	-125,000	-175,000
<b>Capital base</b>	<b>1,789,206</b>	<b>1,929,484</b>	<b>1,772,297</b>	<b>1,850,472</b>	<b>1,975,408</b>	<b>1,757,146</b>

# NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company			Group		
	H1 2014	H1 2013	Year 2013	H1 2014	H1 2013	Year 2013
<b>NOTE 10 Total capital - continued</b>						
Risk-weighted items:						
Weighted items involving credit risk	7,049,954	8,366,709	7,104,338	6,926,936	8,169,068	6,959,494
Weighted items involving market risk	1,517,861	1,387,286	1,352,504	1,245,451	1,984,622	2,153,735
Weighted items involving operational risk	283,088	424,893	283,088	451,291	520,436	451,291
Risk-weighted items, end of period	8,850,903	10,178,888	8,739,930	8,623,678	10,674,126	9,564,520
The solvency requirement represents 8% of the risk-weighted items						
	708,072	814,311	699,194	689,894	853,930	765,162
Tier 1 capital and Total capital is calculated in accordance with CRD IV / CRR.						
<b>NOTE 11 Off-balance sheet items</b>						
Contingent liabilities:						
Financial guarantees	73,306	360,555	143,863	73,306	360,555	143,863
Loss guarantees for mortgage loans	231,696	340,857	181,258	231,696	340,857	181,258
Registration and conversion guarantees	17,712	17,694	11,685	17,712	17,694	11,685
Other contingent liabilities	401,253	338,634	316,590	401,253	338,634	316,590
Contingent liabilities, end of period	723,967	1,057,740	653,396	723,967	1,057,740	653,396
Other commitments:						
Irrevocable loan commitments	-	-	-	-	-	-
Other miscellaneous commitments	-	-	-	-	-	-
Other commitments, end of period	-	-	-	-	-	-
Off-balance sheet items, end of period	723,967	1,057,740	653,396	723,967	1,057,740	653,396

## Other contingent liabilities

Alm. Brand Bank A/S is taxed jointly with Alm. Brand A/S as administration company. As from 1 July 2012, the bank is therefore jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends on behalf of the jointly taxed companies.

Alm. Brand Bank A/S has entered into operating leases with Alm. Brand Leasing A/S. The residual value of future lease payments under these operating leases totalled DKK 6 million at 30 June 2014 (30 June 2013: DKK 6 million).

Alm. Brand Bank A/S is a member of Bankdata, which operates the bank's key banking systems. Termination of this membership would cause the bank to incur a significant liability which would have to be calculated in accordance with Bankdata's by-laws.

Being an active financial services group, the group is a party to a number of lawsuits. The cases are reviewed on an ongoing basis, and the necessary provisions are made. Management believes that these cases will not inflict further losses on the group.

## Collateral security

Monetary-policy counterparties with Danmarks Nationalbank can obtain credit only against security through the pledging of approved securities.

As part of its current operations, the bank provided collateral security to Danmarks Nationalbank at 30 June 2014 in the form of bonds representing a nominal value of DKK 1,833 million (H1 2013: DKK 1,448 million).

As collateral for positive and negative fair values of derivative financial instruments, respectively, cash in the amount of DKK 2 million was received and cash in the amount of DKK 166 million was paid at H1 2014 (H1 2013: DKK 0 million and DKK 414 million).

# NOTES TO THE FINANCIAL STATEMENTS

**Group**

DKK '000	H1 2014	H1 2013	H1 2012	H1 2011	H1 2010
<b>NOTE 12 Financial highlights and key ratios</b>					
Net interest and fee income	198,099	179,209	186,757	261,948	343,339
Value adjustments	-60,773	-126,624	-27,314	-158,950	-91,296
Staff costs and administrative expenses	-198,397	-208,062	-247,203	-235,699	-253,980
Impairment of loans, advances and receivables, etc.	-66,650	-85,143	-103,156	-180,864	-173,402
Profit/loss from investments in associates group enterprises	3,008	-528	-55	-1,749	19,661
Profit/loss for the period, continuing activities	-85,585	-233,726	-155,209	-260,665	-128,559
Profit/loss for the period, discontinued activities	10,336	-4,091	21,726	-13,102	22,062
Total profit/loss for the period	-75,249	-237,817	-133,483	-273,767	-106,497
Loans and advances	6,849,666	7,838,468	9,377,201	11,358,282	14,049,087
Shareholders' equity	2,020,697	1,623,873	1,393,036	1,716,565	1,450,130
Total assets	14,462,323	18,261,385	22,461,228	23,920,311	26,394,082
Solvency ratio	21.5	18.5	17.0	18.6	14.9
Tier 1 ratio	21.5	17.1	13.6	16.3	12.3
Return on equity before tax (%)	-5.9	-22.4	-15.0	-23.4	-11.3
Return on equity after tax (%)	-4.2	-20.2	-11.0	-17.7	-7.0
Income/cost ratio	0.64	0.24	0.53	0.23	0.64
Interest rate risk (%)	5.1	0.9	0.3	-1.2	1.0
Foreign exchange position (%)	3.9	14.1	30.2	6.8	9.2
Foreign exchange risk (%)	0.0	0.3	0.1	0.2	0.1
Loans and advances as a percentage of deposits (%)	80.2	83.9	105.7	158.8	156.7
Gearing of loans and advances	3.4	4.8	6.7	6.6	9.7
Annual growth in lending (%)	-6.7	-6.6	-8.2	-9.0	-5.2
Excess cover relative to statutory liquidity requirement (%)	191.0	182.6	230.7	310.6	266.9
Total amount of large exposures (%)	26.8	80.2	52.0	56.2	81.5
Impairment ratio for the year	0.7	0.8	0.9	1.3	1.0

Financial ratios are calculated on the basis of the total profit/loss, which includes both continuing and discontinued activities.

Financial highlights and key ratios are based on the definitions and guidelines of the Danish FSA and on "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts.



# NOTES TO THE FINANCIAL STATEMENTS

**Parent company**

DKK '000	H1 2014	H1 2013	H1 2012	H1 2011	H1 2010
<b>NOTE 12 Financial highlights and key ratios - continued</b>					
Net interest and fee income	195,255	173,172	177,775	249,942	314,430
Value adjustments	-60,773	-126,625	-27,314	-158,950	-42,040
Staff costs and administrative expenses	-181,504	-191,964	-233,312	-221,680	-234,005
Impairment of loans, advances and receivables, etc.	-66,498	-85,629	-103,833	-177,232	-164,223
Profit/loss from investments in associates group enterprises	10,839	-11,023	1,158	-1,262	-8,938
Profit/loss for the period, continuing activities	-85,584	-233,733	-155,208	-260,622	-108,267
Profit/loss for the period, discontinued activities	-580	-2,603	6,720	1,354	1,328
Total profit/loss for the period	-86,164	-236,336	-148,488	-259,268	-106,939
Loans and advances	7,309,092	8,824,619	9,728,988	11,721,782	14,309,034
Shareholders' equity	1,816,748	1,458,044	1,241,256	1,552,984	1,255,264
Total assets	14,149,210	17,607,535	21,952,898	23,330,037	25,943,322
Solvency ratio	20.2	19.0	17.4	18.0	14.9
Tier 1 ratio	20.2	17.5	13.7	15.7	11.1
Return on equity before tax (%)	-7.4	-26.9	-18.5	-25.5	-13.1
Return on equity after tax (%)	-5.4	-23.5	-13.9	-19.0	-8.2
Income/cost ratio	0.56	0.12	0.45	0.21	0.61
Interest rate risk (%)	5.4	-1.5	-1.3	-2.8	3.0
Foreign exchange position (%)	4.1	14.5	33.2	5.5	5.4
Foreign exchange risk (%)	0.0	0.2	0.1	0.2	0.1
Loans and advances as a percentage of deposits (%)	84.5	92.7	109.0	162.8	158.7
Gearing of loans and advances	4.0	6.1	7.8	7.5	11.4
Annual growth in lending (%)	-9.8	-3.5	-7.5	-8.8	-5.0
Excess cover relative to statutory liquidity requirement (%)	180.4	190.5	236.4	318.7	266.9
Total amount of large exposures (%)	27.7	82.1	62.3	55.3	102.1
Impairment ratio for the year	0.7	0.8	0.8	1.3	0.9

Financial ratios are calculated on the basis of the total profit/loss, which includes both continuing and discontinued activities.

Financial highlights and key ratios are based on the definitions and guidelines of the Danish FSA and on "Recommendations & Financial Ratios 2010" issued by the Danish Society of Financial Analysts.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 13 Accounting policies group

The consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. The parent company interim financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on financial reports presented by credit institutions and investment companies.

In addition, the consolidated interim financial statements have been prepared in accordance with additional Danish disclosure requirements for interim financial statements of listed financial companies.

The subsidiary Alm. Brand Formue A/S entered into liquidation in March 2014 and will be closed by the end of the year. The IFRS 5 rules on the presentation of discontinued operations are thus satisfied. As a result, the income statement and the balance sheet are presented differently from previous presentations. The income statement and the balance sheet now include a separate line item called discontinued activities. The item discontinued activities in the income statement comprises the results of Alm. Brand Formue A/S, the results of equity risk hedging in the company, the bank's trading income relating to Alm. Brand Formue A/S and interest on loans provided to Alm. Brand Formue A/S. Alm. Brand Formue A/S had no debt as at the balance sheet date, and most of the assets are cash funds, which are recognised in the consolidated financial statements under discontinued activities with respect to the part which is expected to be attributable to minority shareholders. The bank's ownership interest in Alm. Brand Formue A/S is included in the parent company balance sheet. See note 6 to the financial statements for additional information. Comparative figures in the income statement have been restated to reflect the above. Comparative figures in the balance sheet have not been restated. The accounting policies are otherwise consistent with the policies applied in the financial statements for 2013.

The interim financial statements are unaudited.

### **Disclaimer**

The forecast is based on the interest rate and price levels that prevailed at mid-August 2014. All other forward-looking statements are based exclusively on the information available when this interim report was released.

The actual performance may be affected by major changes in a number of factors. Such impacts include changes in conditions in the financial market, legislative changes, changes in the competitive environment, loans and advances, etc. and guarantees, 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 text and the English-language translation, the Danish text shall prevail.