

## Interim report - first half

# 2016

Alm. Brand A/S



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# Company information

## BOARD OF DIRECTORS

*Jorgen H. Mikkelsen*, Chairman  
*Jan Skytte Pedersen*, Deputy Chairman  
*Ebbe Castella*  
*Henrik Christensen*  
*Anette Eberhard*  
*Per V. H. Frandsen*  
*Karen Sofie Hansen-Hoeck*  
*Boris N. Kjeldsen*  
*Lars Christiansen*  
*Brian Egested*  
*Helle L. Frederiksen*  
*Susanne Larsen*

## MANAGEMENT BOARD

*Søren Boe Mortensen*, Chief Executive Officer

## AUDITORS

Deloitte, Statsautoriseret Revisionspartnerselskab

## INTERNAL AUDITOR

*Poul-Erik Winther*, Group Chief Auditor

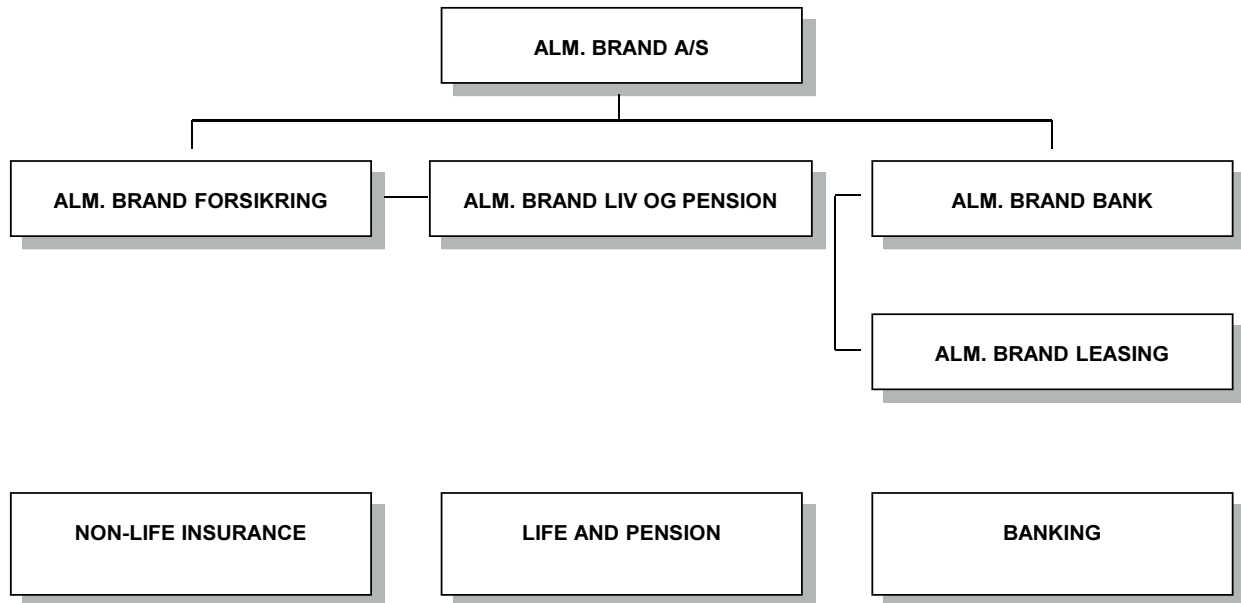
## REGISTRATION

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

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## GROUP STRUCTURE



*Companies with negligible or discontinued activities are not included.*

Alm. Brand is a listed Danish financial services group focusing on the Danish market. The group carries on non-life insurance, life insurance and pension activities as well as banking activities. The consolidated annual revenue is DKK 7 billion.

Alm. Brand's vision "We take care of our customers" is the guiding principle for the experience customers should have when they interact with Alm. Brand.

The group's insurance and pension products cover private lines, agriculture as well as small and medium-sized enterprises. The bank focuses primarily on the private customer market as well as on asset management and markets activities.

Alm. Brand is Denmark's fourth largest provider of non-life insurance products. The group's life insurance, pension and banking activities complement the services we provide to our non-life insurance customers.

# Financial highlights and key ratios

DKKm	Q2 2016	Q2 2015	H1 2016	H1 2015	Year 2015
<b>Income</b>					
Non-life Insurance	1,247	1,263	2,492	2,506	5,061
Life and Pension	313	298	651	722	1,311
Banking	164	159	332	334	662
Investments	150	150	287	307	562
<b>Total income</b>	<b>1,874</b>	<b>1,870</b>	<b>3,762</b>	<b>3,869</b>	<b>7,596</b>
<b>Profit</b>					
Non-life Insurance	221	188	426	420	952
Life and Pension	26	14	55	40	79
Banking	15	-8	23	-2	18
Other activities	-13	-18	-27	-31	-55
<b>Profit/loss before tax, forward-looking activities</b>	<b>249</b>	<b>176</b>	<b>477</b>	<b>427</b>	<b>994</b>
Banking, winding-up activities	0	-78	6	-152	-349
<b>Profit/loss before tax</b>	<b>249</b>	<b>98</b>	<b>483</b>	<b>275</b>	<b>645</b>
Tax	-55	-7	-104	-48	-121
<b>Profit/loss after tax</b>	<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>
<b>Consolidated profit/loss before tax, Group</b>	<b>249</b>	<b>98</b>	<b>483</b>	<b>275</b>	<b>645</b>
Tax	-55	-7	-104	-48	-121
<b>Consolidated profit/loss after tax, Group</b>	<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>
Provisions for insurance contracts	20,451	20,065	20,451	20,065	19,427
Shareholders' equity	4,905	4,909	4,905	4,909	5,165
Total assets	35,900	36,900	35,900	36,900	35,103
Return on equity before tax p.a. (%)	19.8	8.1	18.8	11.3	12.9
Return on equity after tax p.a. (%)	15.4	7.6	14.8	9.3	10.4
Earnings per share	1.2	0.6	2.3	1.5	3.1
Diluted Earnings per share	1.1	0.6	2.2	1.5	3.1
Net assets value per share	29	29	29	29	30
Share price end of period	44.6	42.8	44.6	42.8	48.4
Share price/Net asset value	1.54	1.48	1.54	1.48	1.60
Average number of shares ('000)	166,450	169,263	166,979	169,373	169,236
No. of shares, diluted ('000)	169,423	173,042	169,423	173,042	172,509
Average no. of shares, diluted ('000)	170,203	173,022	170,884	173,012	173,007
Dividend per share	0.0	0.0	0.0	0.0	1.5
Dividend per share, extraordinary	0.0	0.0	0.0	0.0	1.5
No. of shares bought back ('000)	1,433	-	3,268	-	574
Avr. price of shares bought back, DKK	46.9	-	45.9	-	46.7
Total payout ratio	0.9	-	2.3	-	0.3

# The Alm. Brand Group

Comparative figures for 2015 for Non-life Insurance and the group have been restated to reflect new financial reporting rules applicable to insurance companies. The comparative figures for Life and Pension have not been restated.

## Q2 PERFORMANCE

The group posted a pre-tax profit of DKK 249 million in Q2 2016, corresponding to a return on equity of 19.8% p.a. The performance was better than expected and highly satisfactory.

The group's forward-looking activities produced a pre-tax profit of DKK 249 million. This represents a year-on-year improvement of DKK 73 million, driven in particular by a better investment return.

The bank's winding-up activities posted a break-even result, marking a significant improvement of DKK 78 million over last year, which was better than expected.

### Non-life Insurance

Our non-life insurance activities generated a pre-tax profit of DKK 221 million, which was better than expected.

The performance was up by DKK 33 million on Q2 2015, supported by a significantly better investment result. The technical result declined as a result of a higher claims frequency on the underlying business and several major fire claims. On the other hand, the result was lifted by higher run-off gains and fewer weather-related claims than expected.

Premium income fell by DKK 16 million to DKK 1,247 million year on year, which was slightly more than expected. The decline was due to lower average premiums, which, however, were partly offset by an increase in the number of insurances sold. Customer retention remained high and satisfactory with an upward trend in the private customer segment.

The investment result was favourably affected by the significant decline in bond yields in the second quarter, including by the fact that Danish short-term bond yields declined by more than euro yields, which contributed to a positive hedging portfolio result.

### Life and Pension

Life and Pension generated a pre-tax profit of DKK 26 million, which was better than expected. The Q2 per-

formance was lifted in particular by an improved risk result.

Total pension contributions declined by 2.3% year on year. Regular payments increased by 4.4% in Q2, which was satisfactory given the target for 2016.

The investment result was satisfactory and is part of the reason that Life and Pension can maintain a high and very competitive rate on policyholders' savings.

### Banking

The bank's forward-looking activities reported a profit of DKK 15 million before tax, which was better than expected. The bank continued to attract new customers and also increased its lending and generated growth in the volume of mortgage loans for which it acted as intermediary. However, the volatile financial markets had a negative impact on trading activity in Financial Markets.

In addition, the bank's results are still impacted by the negative interest rate environment and excess liquidity.

### *Winding-up activities*

Winding-up activities reported a break-even result, marking a significant improvement on the same period of last year. A lower level of impairment along with lower funding costs had a positive effect on the winding-up activities. Agricultural exposures continued to impact impairment writedowns, while commercial lending developed favourably.

### Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The Q2 performance was a pre-tax expense of DKK 13 million.

## H1 PERFORMANCE

The overall pre-tax profit for H1 2016 was DKK 483 million (H1 2015: DKK 275 million profit). The performance equalled a highly satisfactory return on equity of 18.8% p.a.

Earnings per share amounted to DKK 2.3, and the net asset value per share was DKK 29 at 30 June 2016 for a price/NAV ratio of 1.54.

The Alm. Brand Group generated total revenue of DKK 3.8 billion in the first half of 2015.

In Q2 2015, the group had an average of 1,540 employees (Q2 2015: 1,549 employees).

Consolidated equity was DKK 4.9 billion at 30 June 2016, against DKK 5.2 billion at 31 December 2015.

## CAPITALISATION

The group's total capital was DKK 4,848 million at 30 June 2016, corresponding to an excess of DKK 2,333 million relative to the group's statutory capital requirement.

The group's internal capital target was DKK 4,180 million. The excess relative to the target was DKK 668 million, marking a DKK 342 million improvement on 31 March 2016. The improvement was driven by high earnings and a lower capital requirement in the bank, reflecting on the capital target.

DKKm	Q2 2016	Q1 2016
Total capital	4,848	4,607
Statutory capital requirement for the group	2,515	2,601
<b>Excess relative to statutory capital requirement</b>	<b>2,333</b>	<b>2,006</b>
Internal capital target of the group	4,180	4,281
Excess relative to internal capital target	668	326

## Solvency II

The transition to Solvency II makes it possible to include the profit margin of insurance companies, which improves the total capital of Alm. Brand Forsikring and Alm. Brand Liv og Pension, respectively. The profit margin reflects several years' expected profit as a result of the long-tail nature of the agreements in Alm. Brand Liv og Pension. In Alm. Brand Forsikring, on the other hand, the profit margin reflects that most of the agreements entered into have less than one year left of the term of agreement.

It should be emphasised that the total capital and the capital requirements of insurance companies may fluctuate more than they have done to date. Alm. Brand is therefore currently reviewing the group's capital target to ensure that it reflects these factors.

The group's ability to distribute dividends is expected to remain largely unchanged following the transition to Solvency II.

## CUSTOMER SERVICE

Alm. Brand's CUSTOMERS FIRST strategy has gradually evolved since 2012. The strategy ensures, among other things, that customers get supreme service. The work to optimise customer service has exceeded our expectations. Over the past few years, customer satisfaction in the group has increased significantly, and the most recent customer satisfaction surveys, conducted in the second quarter, showed that the NPS more than doubled during the period to 37, reflecting very high customer satisfaction.

### New CRM system

In the autumn of 2015, Alm. Brand invested in a new CRM system with the aim of leveraging Alm. Brand's potential as a Banking, Insurance and Pension provider. This is a significant investment in the future and an investment intended to ensure that customers of Alm. Brand always receive attentive and relevant advisory services tailored to their specific needs and situation.

The new system will add significant value for our customers in their dialogue with Alm. Brand and ensure a more efficient and value-generating dialogue with potential new customers.

The process of implementing the new system has been very positive and proves that the IT strategy of focusing on standard systems rather than legacy systems provides significantly improved and much quicker time to market than previously, while also delivering enhanced operational reliability and system performance.

As a result, we were able to commission some parts of the system already in the second quarter, and the initial feedback from our customers is very positive. For private customers, the system will be implemented nationwide in the second half of the year. In 2017, the CRM system will also be implemented for commercial and agricultural customers.

### Customer dialogue

In the second quarter, we also implemented a dialogue tool targeting private customers. The purpose of this part of the system is to create attentive, value-generating and personal dialogue with each individual customer. This functionality is based on using available customer data to individualise our communications.

### Digital customer solutions

Alm. Brand has written to most of the group's private insurance and pension customers, offering all customers the option of going digital. By the end of the year, all commercial customers of the group will have received the same offer. Going digital means that our customers will no longer have to keep their insurance and pension

documents in hard copy. The solution ensures that customers always have access to the most recent electronic versions of their policies, statements and terms and conditions. Previous versions of terms and historical agreements will also be available electronically. Moreover, all e-mail correspondence between a customer and Alm. Brand will be available to the customer in digital form. We expect that more than 90% of our customers will opt to go digital. As a mark of our digital success, a Wilke & FinansWatch survey carried out in the spring of 2016 ranked Alm. Brand as the best digital solutions provider in Denmark from a customer point of view.

Alm. Brand's banking customers are now offered a digital signature option for all customer documents, an expenditure overview option and fingerprint login for mobile banking. These new digital options simplify everyday interactions for our customers.

## PRODUCT DEVELOPMENT

### New motor insurance

In mid-February 2016, Alm. Brand launched new motor insurance products for its private, agricultural and commercial customers. The products are based on three different basic covers: Liability insurance combined with full comprehensive motor insurance; liability insurance combined with partial comprehensive motor insurance (intended for older cars); and liability insurance only.

The market has responded favourably to the new products, and the launch has lifted online sales of motor insurances. The next phase of the launch is to ensure that all existing customers are also offered our new modular product. The customer service centres are hard at work on contacting customers with offers to review and update their motor insurance.

### Insurance of road carriers

Alm. Brand aims to be an attractive partner to the road carrier segment, and for that purpose the group launched a new carrier liability product for the commercial market in May 2016. The product, which covers liability in connection with cargo transporting lorries, is in many ways unique in the market in that it also covers liability in connection with storage and assignment of carriage jobs to other road carriers.

## MAJOR EVENTS

### Organisational change

Mikael Sundby, Managing Director of Alm. Brand Liv og Pension, who also serves as head of Group IT, has announced his retirement effective 31 December 2016. In that connection, the group will implement an organisational change to further strengthen its IT and digitalisation profile.

In a move to support the continued development of the Alm. Brand Group's digital ambitions, IT and digitalisation will now be represented at senior management level under an independent directorship. Alm. Brand has recruited Thomas Erichsen to the position as Director, IT and Digitalisation. Thomas Erichsen comes from a position as Head of Solutions and IT at Nordea.

Claude Reffs will be appointed new Managing Director of Alm. Brand Liv og Pension. Claude Reffs has served as chief actuary for the past seven years. Overall responsibility for the group's Life and Pension activities will be consolidated under Kim Bai Wadstrøm, who is also responsible for the group's Banking activities. This organisational change will ensure a coordinated savings and asset management approach throughout the Alm. Brand organisation, as customers increasingly take a comprehensive view of their savings across banking and pension products.

## OUTLOOK

The guidance for FY2016 consolidated pre-tax profit is lifted by DKK 100 million to DKK 700-800 million, comprised of an upgrade on forward-looking activities of DKK 75 million to DKK 750-825 million and a corresponding improvement of the guidance for winding-up activities to a loss of DKK 25-50 million.

DKKm	2016
<b>Forecast</b>	<b>700-800</b>
Forward-looking activities	750-825
Non-life	700
Life and Pension	90
Banking	50
Other activities	-50
Winding-up activities	-25 til -50

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2016. The group has a substantial portfolio of investment assets, and the low level of interest rates is adversely affecting all of the group's business areas. Volatility in the fixed-income markets is also a significant factor of uncertainty, and particularly a further widening of the credit spread between mortgage bonds and swap rates could have an adverse effect on the outlook.

### Non-life Insurance

The guidance for Non-life Insurance is lifted by DKK 100 million to a profit of about DKK 700 million before tax. The upgrade is the result of the positive investment result achieved in the second quarter and run-off gains. This profit corresponds to a combined ratio of about 87 and an expense ratio of around 16.5%. Premium income is still expected to be 1% lower than in 2015.

### **Life and Pension**

The guidance for Life and Pension is lifted by DKK 15 million to a profit of about DKK 90 million before tax. The upgrade is mainly based on the positive risk result in the first half of the year.

Regular premiums are expected to continue to increase at a rate of about 5% in 2016.

### **Banking**

The guidance for the bank's forward-looking activities is lowered by DKK 20 million to a profit of DKK 50 million before tax. The lower guided profit is due to a market adjustment of the price structure of investment associations and the continued low interest rate market with negative money-market rates affecting the return on the bank's excess liquidity.

### **Other activities**

The guidance for other activities, comprising costs and interest related to the parent company, Alm. Brand A/S, is maintained at a loss of DKK 50 million before tax.

### **Winding-up activities**

The guidance for the group's winding-up activities is lifted by DKK 25 million to a loss of DKK 25-50 million before tax.

Developments in the agricultural sector remain subject to significant uncertainty, and a further deterioration of conditions in the agricultural sector could have an adverse effect on the outlook.

The expected reduction of the winding-up portfolio remains at DKK 250 million.

#### **Disclaimer**

All forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts. Such forward-looking statements are based on various assumptions and expectations which reflect the company's current views and assumptions, but which are inherently subject to significant risks and uncertainties, including matters beyond the company's control. Actual and future results and developments may differ materially from those contained or assumed in such statements. Matters which may affect the future development and results of the group as well as of the individual business areas include changes in economic conditions in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist events, bad debts, major changes in the claims experience, unexpected outcomes of legal proceedings, etc.

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

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



# Non-life Insurance

DKKm	Q2 2016	Q2 2015	H1 2016	H1 2015	Year 2015
Gross premiums	1,247	1,263	2,492	2,506	5,061
Claims incurred	-800	-757	-1,540	-1,500	-3,018
Underwriting management expenses	-218	-202	-418	-404	-807
Profit from business ceded	-57	-78	-136	-147	-245
<b>Underwriting profit</b>	<b>172</b>	<b>226</b>	<b>398</b>	<b>455</b>	<b>991</b>
Interest and dividends etc.	56	63	114	125	237
Capital gains/losses	43	-225	80	-182	-258
Management expenses relating to investment business	-7	-8	-17	-16	-30
Interest on and value adjustment of technical provisions	-43	132	-149	38	12
<b>Investment return after interest on provisions</b>	<b>49</b>	<b>-38</b>	<b>28</b>	<b>-35</b>	<b>-39</b>
<b>Profit/loss before tax</b>	<b>221</b>	<b>188</b>	<b>426</b>	<b>420</b>	<b>952</b>
Tax	-48	-45	-90	-100	-214
<b>Profit/loss for the year</b>	<b>173</b>	<b>143</b>	<b>336</b>	<b>320</b>	<b>738</b>
Run-off gains/losses	115	88	197	209	485
Technical provisions	7,916	8,068	7,916	8,068	7,397
Insurance assets	212	203	212	203	227
Shareholders' equity	2,160	2,331	2,160	2,331	2,750
Total assets	11,166	11,146	11,166	11,146	11,114
Gross claims ratio	64.2	60.1	61.8	59.9	59.7
Net reinsurance ratio	4.5	6.1	5.5	5.8	4.8
<b>Claims trend</b>	<b>68.7</b>	<b>66.2</b>	<b>67.3</b>	<b>65.7</b>	<b>64.5</b>
Gross expense ratio	17.5	16.0	16.7	16.1	15.9
<b>Combined ratio</b>	<b>86.2</b>	<b>82.2</b>	<b>84.0</b>	<b>81.8</b>	<b>80.4</b>
Return on equity before tax p.a. (%)	31.1	30.7	32.9	35.1	38.2
Return on equity after tax p.a. (%)	24.4	23.6	25.9	26.9	29.6

Key figures and ratios have been prepared on the basis of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 have been restated as a result of changes therein.

## Q2 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 221 million in Q2 2016 (Q2 2015: DKK 188 million profit). One factor driving the profit higher was the Q2 investment result of DKK 49 million (Q2 2015: DKK 38 million loss). The technical result was a profit of DKK 172 million in Q2 2016, which was DKK 54 million lower than in Q2 2015.

Overall, the performance was highly satisfactory and better than expected. The performance equalled a return on equity of 31.1% p.a. before tax, against a return of 30.7% p.a. in the year-earlier period.

The Q2 combined ratio was 86.2. The combined ratio was favourably affected by few expenses for weather-related claims and a number of run-off gains, while a higher claims frequency and significantly higher than expected expenses for major claims in the commercial and agricultural segments affected the combined ratio adversely. Net of run-off gains on claims provisions, the combined ratio was 94.7 in Q2 2016, against an expected normal level of 91-92.

The Q2 underlying combined ratio was 83.3, or higher than the expected target level of about 80. The underlying business was adversely affected by higher claims frequencies, lower premium income, rising costs and slightly higher reinsurance expenses. On the other hand, lower average claims expenses, partly offsetting the effect of the higher claims frequency, lifted the performance of the underlying business.

	Q2 2016	Q2 2015	Year 2015
Combined Ratio, underlying business	83.3	79.1	78.9
Major claims	8.5	7.8	5.3
Weather-related claims	2.5	0.9	4.4
Reinstatement premiums	0.1	0.3	0.3
Run-off result, claims	-8.5	-6.0	-8.5
Change in risk margin, run-off result and current year	0.3	0.1	0.0
<b>Combined Ratio</b>	<b>86.2</b>	<b>82.2</b>	<b>80.4</b>

As a result of an increase in the capital requirement, the combined ratio was adversely affected by a change in the risk margin for the current year and by the run-off result.

### Premiums

Gross premiums amounted to DKK 1,247 million in Q2 2016, which was 1.2% lower than in Q2 2015. The retention rate remained high both in commercial and private lines, with an upward trend in the private customer segment.

### Claims experience

The claims experience for Q2 2016 was 68.7%, against 66.2% in Q2 2015, which was better than expected, however. Detracting from the 2016 performance were higher expenses for major claims and a higher claims frequency, which was partly off-set by high run-off gains. Net of run-off gains, the claims experience was 78.0%, which was 4.5 percentage points higher than in the same period of 2015.

#### *Weather-related claims*

Weather-related claims net of reinsurance amounted to DKK 31 million. This marked an increase of DKK 20 million year on year, which was due to a period of heavy rains and minor cloudbursts in Q2 2016. Nevertheless, weather-related claims only affected the combined ratio by 2.5 percentage points, which was slightly better than the normal level of 3-4%.

#### *Major claims*

Net of reinsurance, major claims totalled DKK 106 million, which was DKK 8 million more than in the same period of 2015. The number of major claims and claims expenses were higher than expected in the second quarter, being affected by several major fire claims. Major claims affected the combined ratio by 8.5 percentage points, which was slightly above the expected normal range of 7-8%.

#### *Underlying business*

The underlying claims ratio was higher than expected because of an above-normal level of claims filed in June. The number of claims filed dropped to the expected level again in July, and the number of delayed claims from June is so far less than expected. As a result, the underlying claims ratio is expected to return to the normal level.

#### *Run-off result*

The run-off result net of reinsurance was a gain of DKK 115 million (Q2 2015: DKK 88 million) and was mainly driven by the personal insurance lines workers' compensation and accident insurance as well as by building and contents insurances in both Commercial and

Private. The provisioning level has been lowered for workers' compensation, building and travel insurance, which contributed DKK 28 million to the run-off result. Moreover, the run-off result for the risk margin contributed a gain of DKK 9 million in Q2 2016, as compared with DKK 13 million in Q2 2015.

### Costs

Total costs amounted to DKK 218 million in Q2 2016, equivalent to an expense ratio of 17.5. Costs were higher than in Q2 2015 but in line with the level expected for the quarter.

### Net reinsurance ratio

The net reinsurance ratio was 4.5 in Q2 2016, against 6.2 in the same period of 2015. The lower net expense in 2016 was partly due to reinsurance received on a fire claim from Q1 2016 and partly to a below-normal level of reinsurance received in 2015.

### Discounting

The new financial reporting rules introduced under Solvency II entail an interest rate dependence in both gross premium income and claims experience.

From 30 June 2015 to 30 June 2016, the yield curve, which is used for discounting, fell by approximately 0.1 of a percentage point at the short end of the curve, while the 10-year yield declined by about 0.5 of a percentage point. Due to the composition of the expected cash flows, the technical provisions are affected the most by movements in short-term interest rates. From an overall perspective, however, interest rate developments only had a minor effect on premium income and claims experience.

### PRIVATE

The technical result was a profit of DKK 92 million in Q2 2016, against DKK 99 million in Q2 2015.

The combined ratio was 85.7, which was highly satisfactory relative to expectations. Compared with expectations, the result was supported by high run-off gains, unusually few weather-related claims and major claims as well as lower average claims expenses. On the other hand, the result was adversely affected by a general increase in claims frequency.

Premium income was DKK 646 million in Q2 2016, which was better than expected and driven by the fact that Alm. Brand sold more insurances in the second quarter. However, the insurances were sold at a lower average premium than previously, especially in motor insurance lines. The lower average premiums reflect the extremely competitive market in which the group operates. Overall, premiums were down 1.2% on Q2 2015.

The customer retention rate is high, and the upward trend continued in the second quarter, which was positive and a result of the customer loyalty initiatives implemented.

#### Private

	Q2	Q2	Year
DKKm	2016	2015	2015
Gross premiums	646	654	2,615
Claims incurred	-413	-421	-1,708
Underwriting management expenses	-121	-114	-462
Profit/loss from business ceded	-20	-20	-60
<b>Underwriting profit</b>	<b>92</b>	<b>99</b>	<b>385</b>
Run-off gains/losses	43	30	174
Gross claims ratio	63.9	64.5	65.3
Net reinsurance ratio	3.1	3.1	2.3
<b>Claims trend</b>	<b>67.0</b>	<b>67.6</b>	<b>67.6</b>
Gross expense ratio	18.7	17.4	17.6
<b>Combined Ratio</b>	<b>85.7</b>	<b>85.0</b>	<b>85.2</b>

The claims experience excluding run-off gains on claims was 73.0% (Q2 2015: 71.3%).

Weather-related claims totalled DKK 8 million net of reinsurance (Q2 2015: DKK 6 million), affecting the combined ratio by 1.3 percentage points. Weather-related claims were impacted by a number of cloudbursts in June but nevertheless came out below the level expected for the second quarter.

Moreover, the number of major claims in the second quarter was significantly lower compared with both Q2 2015 and the expected level. Claims expenses totalled DKK 9 million net of reinsurance, which was DKK 10 million lower than in 2015, and impacted the combined ratio by 1.5 percentage points, against 3.1 percentage points in 2015.

Overall, weather-related claims and major claims affected the combined ratio by 2.8 percentage points in Q2 2016, against 4.1 percentage points in Q2 2015. Weather-related claims and major claims combined were significantly lower than expected in the private customer segment.

The underlying claims ratio increased relative to the year-earlier period. The increase was mainly due to a higher claims frequency, which was to some extent offset by lower average claims expenses. The higher claims frequency trend remains a factor for travel insurance because of the discontinuation of the Danish public travel health insurance scheme (the yellow national health insurance card).

The expense ratio increased by 1.3 percentage points to 18.7 in Q2 2016 in line with expectations.

The group had anticipated a negative impact on the claims experience after the new, extended travel cover took effect. The negative impact did materialise but to a slightly smaller extent than expected, resulting in run-off gains in the quarter. Against this background, the group adjusted provisions for travel insurance claims.

In addition, there were minor run-off gains distributed evenly on other lines. The run-off result for the risk margin contributed a gain of DKK 5 million, as compared with DKK 6 million in Q2 2015.

#### COMMERCIAL

The technical result was a profit of DKK 80 million in Q2 2016, against a profit of DKK 127 million in Q2 2015.

The combined ratio was 86.7, which was highly satisfactory compared with expectations. The combined ratio was affected by run-off gains and fewer weather-related claims in particular. On the other hand, the result was adversely affected by major claims as well as by a general increase in claims frequency.

Premium income declined by DKK 8 million to DKK 601 million, which was slightly more than expected. The commercial market remains extremely competitive, but Alm. Brand nevertheless sold more insurances than anticipated in the second quarter. However, the insurances were sold at a lower average premium than previously, especially products in the agricultural and motor insurance lines. The customer retention rate remains high and stable.

#### Commercial

	Q2	Q2	Year
DKKm	2016	2015	2015
Gross premiums	601	609	2,446
Claims incurred	-387	-336	-1,310
Underwriting management expenses	-97	-88	-345
Profit/loss from business ceded	-37	-58	-185
<b>Underwriting profit</b>	<b>80</b>	<b>127</b>	<b>606</b>
Run-off gains/losses	72	58	311
Gross claims ratio	64.4	55.3	53.6
Net reinsurance ratio	6.2	9.4	7.5
<b>Claims trend</b>	<b>70.6</b>	<b>64.7</b>	<b>61.1</b>
Gross expense ratio	16.1	14.5	14.1
<b>Combined Ratio</b>	<b>86.7</b>	<b>79.2</b>	<b>75.2</b>

The claims experience excluding run-off gains on claims was 81.8% (Q2 2015: 73.1%).

Weather-related claims totalled DKK 23 million net of reinsurance (Q2 2015: DKK 5 million), which affected the combined ratio by 3.8 percentage points, against 0.9 of a percentage point in 2015. Weather-related claims expenses in the commercial customer segment were in line with expectations for the second quarter.

Major claims totalled DKK 97 million net of reinsurance (Q2 2015: DKK 79 million) and impacted the combined ratio by 16.1 percentage points, against 12.9 percentage points in 2015. Overall, major claims expenses were significantly higher than expected due to a higher number of claims than anticipated. Claims expenses were impacted in particular by three major fire claims of about DKK 10 million each.

Overall, weather-related claims and major claims affected the combined ratio by 19.9 percentage points in Q2 2016, against 13.8 percentage points in Q2 2015. Compared with the expected full-year level, weather-related claims and major claims were somewhat higher in the second quarter.

The underlying claims ratio increased relative to the year-earlier period. The increase was mainly due to a combination of higher claims frequencies and higher average claims, especially on building and contents insurances.

The net reinsurance ratio was 6.2 in Q2 2016 (Q2 2015: 9.4). The lower net expense in the second quarter was driven mainly by reinsurance received for a major fire claim from the first quarter of 2016, which turned out to be more expensive than initially anticipated. Moreover, the Q2 2015 net reinsurance ratio was impaired by a downward readjustment of expected expenses for the 2013 windstorms Allan and Bodil.

The expense ratio was 16.1 in Q2 2016, or 1.6 percentage points higher than in Q2 2015.

The run-off result net of reinsurance produced a gain

of DKK 72 million (Q2 2015: DKK 58 million). The run-off gains were mainly driven by workers' compensation and building insurance. The run-off result for the risk margin contributed a gain of DKK 5 million, as compared with close to DKK 7 million in Q2 2015.

## INVESTMENT RESULT

The investment result was a gain of DKK 49 million in Q2 2016, against a loss of DKK 38 million in the year-earlier period. Before transfer to insurance activities, the investment result was a gain of DKK 92 million, against a loss of DKK 170 million in Q2 2015. The Q2 2016 investment result was satisfactory.

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

The positive return on bonds was attributable to the significant decline in bond yields over the second quarter. The hedging of liabilities produced a positive result, which was to a large extent driven by the weighting of mortgage bonds and credit bonds and by the fact that Danish bond yields outperformed the equivalent euro yields. The mortgage deed portfolio also performed better than expected as a result of more favourable mortgage prepayments than anticipated, compensating for the Q1 developments to the effect that the full-year return will be in line with expectations. The equity portfolio produced a positive return in spite of greater uncertainty and the Brexit referendum in June.

The EIOPA (European Insurance and Occupational Pensions Authority) discounting curve and the VA (Volatility Adjustment) premium combine to produce a significantly higher return on technical provisions than the risk-free curve does. As a result, it will be difficult to achieve a positive investment return after transfer and costs. The VA premium increased by 0.15 of a percentage point year on year, corresponding to an annual contribution to claims of DKK 11 million.

Investment return DKKm	Q2 2016			Q2 2015		
	Investment assets	Return	Pct.	Investment assets	Return	Pct.
Bonds etc.	8,271	82	1.0	8,052	-163	-1.8
Mortgage deeds etc.	1,509	15	1.0	1,685	2	0.1
Equities	216	2	0.7	173	-1	-1.0
Property	18	0	1.7	18	0	1.1
<b>Total return on investments</b>	<b>10,014</b>	<b>99</b>	<b>1.0</b>	<b>9,928</b>	<b>-162</b>	<b>-1.5</b>
Administrative expenses		-7			-8	
Discounting of technical provisions		-31			145	
Interest on technical provision		-12			-13	
<b>Investment return after interest on provisions</b>		<b>49</b>			<b>-38</b>	

## H1 PERFORMANCE

The group's non-life insurance activities generated a pre-tax profit of DKK 426 million in H1 2016, as compared with a DKK 420 million profit in H1 2015.

The performance was highly satisfactory and equalled a return on equity of 32.9% p.a. before tax, against 35.1% p.a. in the year-earlier period.

The technical result was a profit of DKK 398 million (H1 2015: DKK 455 million), equivalent to a combined ratio of 84.0 (H1 2015: 81.8). In particular, the increase was due to major claims in the commercial customer segment and to fewer run-off gains relative to the same period of last year. On the other hand, the combined ratio for H1 2016 was favourably affected by fewer expenses for weather-related claims.

Premium income was DKK 2,492 million, marking a slight decline relative to the same period of 2015. Premium income was lower than anticipated.

Weather-related claims were DKK 40 million net of reinsurance, against DKK 57 million in H1 2015. The mild winter and fewer windstorms than anticipated had a positive effect on the first-half performance. However, there were a number of instances of heavy rains and cloudbursts, especially in June. Overall, the number of weather-related claims was much lower than expected in the first half of the year. Weather-related claims affected the combined ratio by 1.6 percentage points (H1 2015: 2.3 percentage points).

Major claims totalled DKK 193 million in H1 2016, against DKK 161 million in H1 2015. In H1 2016, the number of major claims was lower than expected for private lines, but both claims volume and claims expenses were above the level anticipated for commercial lines. Overall, major claims expenses affected the combined

ratio by 7.7 percentage points (H1 2015: 6.4 percentage points), which was within the expected range of 7-8 percentage points.

The combined ratio of the underlying business was 81.4 in H1 2016, against 80.1 in the year-earlier period. The increase was mainly due to a slightly higher expense ratio and slightly higher reinsurance premiums. In addition, 2015 was affected by lower reinstatement premiums as a result of the downward adjustments of claims related to the Allan and Bodil windstorms. The discount rate declined from 30 June 2015 to 30 June 2016, but this had no significant effect on the underlying business.

	H1 2016	H1 2015	Year 2015
Combined Ratio, underlying business	81.4	80.1	78.9
Major claims	7.7	6.4	5.3
Weather-related claims	1.6	2.3	4.4
Reinstatement premiums	-0.1	0.1	0.3
Run-off result, claims	-6.8	-7.3	-8.5
Change in risk margin, run-off result and current year	0.2	0.2	0.0
Combined Ratio	84.0	81.8	80.4

Run-off gains totalled DKK 197 million, against DKK 209 million in 2015. The gains were seen primarily in personal insurance lines and on building and contents insurance.

The expense ratio was 16.7 in H1 2016, against 16.1 in the same period of 2015.

The investment result after interest on technical provisions was a gain of DKK 28 million in H1 2016, against a loss of DKK 35 million in H1 2015.

## **CAPITALISATION**

The capital requirement of Alm. Brand Forsikring A/S was DKK 1,383 million at 30 June 2016, against DKK 1,372 million at 31 March 2016.

The total capital calculated in accordance with Solvency II was DKK 3,276 million, which means that the company had an excess cover relative to the capital requirement of DKK 1,893 million.

At 30 June 2016, shareholders' equity allocated to Non-life Insurance was DKK 2.2 billion.

# Life and Pension

DKKm	Q2 2016	Q2 2015	H1 2016	H1 2015	Year 2015
Premiums	313	298	651	722	1,311
Investment return after allocation of interest	204	-442	449	19	133
Claims incurred	-217	-265	-506	-541	-1,104
Total underwriting management expenses	-24	-23	-46	-45	-84
Profit/loss from business ceded	0	1	-1	-1	-4
Change in life insurance provisions	-252	371	-497	-20	-120
Change in collective bonus potential	-	81	-	-93	-30
Government Tax on unallocated funds	0	-2	0	-3	-22
<b>Underwriting profit/loss</b>	<b>24</b>	<b>19</b>	<b>50</b>	<b>38</b>	<b>80</b>
Return on investments allocated to equity	2	-5	5	2	-1
<b>Profit/loss before tax</b>	<b>26</b>	<b>14</b>	<b>55</b>	<b>40</b>	<b>79</b>
Tax	-7	15	-14	9	-2
<b>Profit/loss after tax</b>	<b>19</b>	<b>29</b>	<b>41</b>	<b>49</b>	<b>77</b>
<b>Return requirement for shareholders' equity</b>					
Return on investments allocated to equity	2	-5	5	2	-1
Result of portfolios without bonus entitlement	1	4	1	5	6
Group life	3	5	4	9	17
Interest result	5	4	10	8	17
Expense result	-1	-7	-2	-9	-9
Risk result	16	12	37	25	48
Transferred to/from the shadow account	0	1	0	0	0
<b>Profit/loss before tax *)</b>	<b>26</b>	<b>14</b>	<b>55</b>	<b>40</b>	<b>78</b>
Total technical provisions	12,535	11,997	12,535	11,997	12,030
Shareholders' equity	816	830	816	830	844
Total assets	14,356	13,973	14,356	13,973	13,930
Return on equity before tax p.a. (%)	12.5	6.8	13.2	9.8	9.6
Return on equity after tax p.a. (%)	9.1	14.2	9.9	11.9	9.3
Bonus rate (%)	18.4	10.5	18.4	10.5	9.7

\*) Profit before tax of the parent company Alm. Brand Liv og Pension A/S, which includes post-tax return on investment in the EMD Local Currency investment fund.

Key figures and ratios have been prepared on the basis of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 have not been restated as a result of changes therein.

## Investment return on policyholders funds in Life and Pension H1 2016

	Return ratio in %
Interest-bearing assets	6.6
Shares	-3.9
Property	1.9
<b>Total</b>	<b>5.1</b>

## Q2 PERFORMANCE

Life and Pension posted a pre-tax profit of DKK 26 million in Q2 2016 (Q2 2015: DKK 14 million), equaling a return on equity of 12.5% p.a. before tax. The performance was highly satisfactory and better than expected.

The profit was composed as follows:

- Expense and risk result of DKK 15 million
- Interest rate result of DKK 5 million
- Profit from the group life insurance business of DKK 3 million
- Profit from life annuities without bonus entitlement of DKK 1 million
- Return on investment allocated to equity of DKK 2 million.



At 30 June 2016, the bonus rate was 18.4%. The bonus rate was highly satisfactory, ensuring that Life and Pension can continue to offer high and competitive rates on policyholders' savings.

#### **Bonus rate**

The implementation of a new executive order on financial reports entails a change in the calculation of the bonus rate. The bonus rate is now calculated as the sum of the collective and the individual bonus potential. This makes the bonus rate more sensitive to interest rate changes and thus more volatile.

#### **Pension contributions**

##### *Payments into guaranteed schemes*

In Q2 2016, premiums totalled DKK 313 million (Q2 2015: DKK 298 million), up 4.9% year on year.

This figure covers an increase in regular premiums of 4.4% and an increase in single payments of 5.4%.

The increase in regular payments is close to the company's target of 5% growth and, therefore, satisfactory.

##### *Payments into market schemes*

In addition to making payments into Alm. Brand Liv og Pension, customers have the option of paying into market-based investment schemes with the bank.

Payments into these schemes amounted to DKK 108 million in Q2 2016, against DKK 114 million in the same period of last year. This equalled a decline of 4.7%. The development was not entirely satisfactory, although payments into market-based schemes are typically adversely impacted by financial market turmoil.

##### *Total pension contributions*

Total payments into pension schemes, including investment schemes with the bank, amounted to DKK 421 million in Q2 2016, which was an increase of 2.3% relative to Q2 2015.

#### **Benefits paid**

The total amount of benefits paid in Q2 2016 was DKK 217 million, against DKK 265 million in Q2 2015. The lower amount of benefits paid was mainly due to fewer policy surrenders, which was probably attributable to the company's very attractive rate on policyholders' savings.

#### *Risk result*

Net of reinsurance, the risk result, which expresses the difference between risk premiums and actual claims expenses, was an income of DKK 16 million in Q2 2016, marking a DKK 4 million increase on Q2 2015.

As the main reason for the increase, the result in 2016 included the company's share of Forenede Gruppeliv's risk result, which it did not in 2015.

The performance was highly satisfactory.

#### **Costs**

Acquisition costs and administrative expenses were unchanged at DKK 23 million in Q2 2016. This fell slightly short of expectations, mainly as a result of sales coming out slightly below the expected level.

#### *Expense result*

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was negative at DKK 1 million in Q2 2016. The expense result should be seen in light of the fact that Alm. Brand Liv og Pension's average rate products are among the cheapest on the market.

#### **Investment return on policyholders' funds**

The return on investment assets belonging to policyholders was DKK 260 million for Q2 2016, corresponding to a return of 2.2% (8.8% p.a.). Total investment assets, which amounted to DKK 12.7 billion at 30 June 2016, are placed in bonds, equities and property.

The Q2 return, calculated before tax on pension returns but after investment costs, was lifted by the decline in interest rates, which produced capital gains on both bonds and interest rate hedges. Equities generated a small, positive return in the reporting period.

Financial instruments used to partially hedge insurance liabilities made a positive contribution to the return due to the lower level of interest rates.

	Share	Return Q2	Return p.a.
Bonds	73%	2.8%	11.2%
Equities	15%	-0.1%	-0.4%
Properties	12%	1.0%	4.0%
Total		2.2%	8.8%

#### **Life insurance provisions**

Total life insurance provisions increased by DKK 252 million to an aggregate of DKK 12.5 billion in Q2 2016. The increase was due to accrued interest and a declin-



ing discount rate as well as to a fair net inflow of pension funds during the period.

Provisions have been calculated in accordance with the Solvency II rules, which entered into force on 1 January 2016. Among other things, this means that the collective bonus potential will form part of life insurance provisions going forward. As a result, the item will no longer be presented as a separate line item in the financial statements.

#### Bonus rate

The total bonus rate was 18.4% at 30 June 2016. The bonus rate was highly satisfactory.

Under the new financial reporting rules, the bonus rate is calculated differently than before, but a high bonus rate still reflects the company's ability to offer a high

rate on policyholders' savings.

New policyholders are placed in interest rate group 0, which had a bonus rate of 21.4% at 30 June 2016.

In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was 11.3% in Q2 2016, which was highly satisfactory. This group continues to pursue a prudent investment policy based on a substantial share of bonds and financial instruments with a view to striking a healthy balance between the group's investments and obligations.

The table below shows the current rate on policyholders' savings, bonus rate, return and breakdown of policyholders' investment assets on the four interest rate groups into which the portfolio of policies with bonus entitlement is divided.

U74*	Interest rate group				Total
	0	1	2	3	
Technical rate of interest (% p.a.)	0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Rate on policyholders' savings (% p.a.)	4.00	5.00	5.00	6.00	
Investment assets (DKKbn)	0.1	6.6	1.5	1.3	12.7
Bonus rate (%)	21.4	21.5	10.8	11.3	18.4
Return (% ytd)	2.3	6.0	4.3	5.9	5.1
Bonds	100%	64%	62%	79%	70%
Equities	0%	21%	19%	7%	15%
Properties	0%	14%	12%	10%	12%
Interest rate derivatives	0%	0%	8%	4%	3%

\*Portfolios without bonus entitlement

#### H1 PERFORMANCE

The group's life insurance activities generated a pre-tax profit of DKK 55 million in H1 2016, as compared with a DKK 38 million profit in the same period of 2015.

The performance was satisfactory and equalled a return on equity of 13.2% p.a. before tax.

Total pension contributions declined by 12% to DKK 827 million in H1 2016.

#### CAPITALISATION

The total capital of Alm. Brand Liv og Pension A/S calculated in accordance with Solvency II amounted to DKK 1,208 million at 30 June 2016, of which DKK 70 million was tier 2 capital.

The company's capital requirement amounted to DKK 139 million. Accordingly, the company had excess liquidity of DKK 1,069 million, corresponding to a solvency coverage ratio of 867%. The company's capital requirement is very low as a result of the large bonus potentials at 30 June 2016.

Equity allocated to life insurance was DKK 816 million at 30 June 2016.

# Banking

DKKm	GROUP				
	Q2 2016	Q2 2015	H1 2016	H1 2015	Year 2015
<b>FORWARD-LOOKING ACTIVITIES:</b>					
Net interest and fee income, Private	50	52	107	109	218
Trading income (excl. value adjustments)	37	42	73	82	181
Other income	53	41	104	82	172
<b>Total income</b>	<b>140</b>	<b>135</b>	<b>284</b>	<b>273</b>	<b>571</b>
Expenses	-91	-92	-179	-184	-352
Amortisation	-36	-29	-71	-57	-121
<b>Core earnings</b>	<b>13</b>	<b>14</b>	<b>34</b>	<b>32</b>	<b>98</b>
Value adjustments	-1	-22	-15	-28	-59
Profit/loss from investments	0	0	0	0	0
<b>Profit/loss before impairment writedowns</b>	<b>12</b>	<b>-8</b>	<b>19</b>	<b>4</b>	<b>39</b>
Writedowns	3	0	4	-6	-21
<b>Profit/loss before tax, forward-looking activities</b>	<b>15</b>	<b>-8</b>	<b>23</b>	<b>-2</b>	<b>18</b>
<b>WINDING-UP ACTIVITIES:</b>					
Loss before impairment writedowns	13	-16	18	-27	-43
Writedowns	-13	-62	-12	-125	-306
<b>Loss before tax, winding-up activities</b>	<b>0</b>	<b>-78</b>	<b>6</b>	<b>-152</b>	<b>-349</b>
	0	0			
<b>Total profit/loss before tax and minority interests</b>	<b>15</b>	<b>-86</b>	<b>29</b>	<b>-154</b>	<b>-331</b>
Tax	-4	20	-7	36	82
<b>Consolidated profit/loss after tax</b>	<b>11</b>	<b>-66</b>	<b>22</b>	<b>-118</b>	<b>-249</b>
Loans and advances, forward-looking activities	2,859	2,693	2,859	2,693	2,981
Loans and advances, winding-up activities	1,143	1,762	1,143	1,762	1,317
Deposits	7,585	9,026	7,585	9,026	8,099
Shareholders'	1,517	1,626	1,517	1,626	1,495
Balance	10,099	11,703	10,099	11,703	10,416
Interest margin (%)	2.6	1.9	2.5	1.8	1.9
Income/cost ratio	1.10	0.57	1.10	0.60	0.59
Impairment ratio	0.0	0.8	-0.1	1.6	3.9
Solvency ratio (%)	18.7	18.4	18.7	18.4	17.2
Return on equity	4.0	-20.5	3.8	-18.0	-20.4
Return on equity after tax (%)	2.9	-15.8	2.9	-13.8	-15.4

## Q2 PERFORMANCE

The bank generated a pre-tax profit of DKK 15 million in Q2 2016, against a loss of DKK 86 million in 2015. Impairment writedowns amounted to DKK 10 million in Q2. The bank's overall performance was better than expected, and the bank is developing satisfactorily. The performance equalled a return on equity of 4.0% p.a. before tax.

The profit was composed of a profit of DKK 15 million on forward-looking activities and a break-even result on winding-up activities.

The interest margin for the banking group was 2.6% in Q2 2016, against 1.9% in Q2 2015, being favourably affected by the bank's lower funding costs.

## FORWARD-LOOKING ACTIVITIES

The forward-looking activities posted a pre-tax profit of DKK 15 million in Q2 2016 (Q2 2015: DKK 8 million loss). The performance was in line with expectations.

Core earnings amounted to a profit of DKK 13 million in Q2 2016 and were in line with the same period of last year.

Over the past 12 months, the number of full-service customers has increased by 13%, and lending to the bank's private customers has grown by 7%. The portfolio of Totalkredit loans for which the bank acted as intermediary continues to develop favourably, the portfolio totalling DKK 7.0 billion at 30 June 2016, against DKK 5.8 billion a year earlier. In addition, Financial Markets and Leasing both reported customer inflows in Q2 2016.

## Income

The bank's income from forward-looking activities amounted to DKK 140 million in Q2 2016, against DKK 135 million in Q2 2015.

The increase was driven by higher income from the bank's leasing portfolio, while trading income excluding value adjustments fell.

The decline in trading income was attributable to lower interest income due to the reduction of the bank's own portfolio and lower coupons.

## Costs

Costs were in line with expectations and amounted to DKK 91 million, which was DKK 1 million less than in Q2 2015.

## Value adjustments

Value adjustments produced a capital loss of DKK 1 million in Q2 2016, against a loss of DKK 22 million in Q2 2015.

Interest-related value adjustments including hedging produced a combined loss of DKK 3 million in Q2 2016, against a capital loss of DKK 29 million in Q2 2015. The bank's bond portfolio and interest-related contracts yielded a return of 1.2% p.a. in Q2 2016, compared with a negative return of 0.8% p.a. in Q2 2015. The bond return was satisfactory.

## Impairment writedowns

Impairment writedowns were reversed in Q2 2016, providing an aggregate income of DKK 3 million in Q2, against DKK 0 million in the year-earlier period. The impairment writedowns were favourably affected by income from debt previously written down.

## Business activities

### Private

The bank posted a pre-tax loss of DKK 1 million, which was unchanged from the level reported in Q2 2015.

### Private

DKKm	Q2 2016	Q2 2015
Income	50	52
Expenses	-54	-53
<b>Profit/loss before impairment writedowns</b>	<b>-4</b>	<b>-1</b>
Impairment writedowns	3	0
<b>Profit/loss before tax</b>	<b>-1</b>	<b>-1</b>

The year-on-year decline in income was mainly due to less income for Private in terms of deposits for the bank's overall funding. A lower level of fee income also contributed to the decline.

Impairment writedowns were favourably affected by income from debt previously written down and amounted to an income of DKK 3 million in Q2 2016, which was better than expected. Equivalent to an impairment ratio of 0.6% p.a., the underlying impairment was at a normal level.

In the second quarter, the bank experienced an inflow of new customers and an increase in the number of full-service customers, continuing the positive trend from the first quarter. Lending to private customers grew by DKK 54 million in Q2 and by DKK 203 million year on year.

The positive trend from the first quarter of 2016 also continued for the portfolio of Totalkredit loans for which the bank acted as intermediary. In Q2 2016, the portfolio grew by just over DKK 0.3 billion, or 5%, to DKK 7.0 billion. Overall, the portfolio increased by DKK 1.1 billion year on year.

## Financial Markets

The Financial Markets division generated a pre-tax profit of DKK 15 million in Q2 2016, marking a DKK 14 million improvement year on year. The higher profit was driven by favourable price adjustment developments, whereas earnings in the same period of last year were adversely affected by a negative return on the investment portfolio.

### Financial markets

DKKm	Q2 2016	Q2 2015
Income	35	36
Expenses	-23	-25
<b>Core earnings</b>	<b>12</b>	<b>11</b>
Value adjustments	3	-10
<b>Profit/loss before tax</b>	<b>15</b>	<b>1</b>

Financial Markets saw an increase in the number of customers and in assets under management in the quarter.

### Leasing

The Leasing division generated a pre-tax profit of DKK 6 million in Q2 2016, up DKK 4 million on Q2 2015.

### Leasing

DKKm	Q2 2016	Q2 2015
Income	52	42
Expenses	-10	-11
Depreciation and amortisation	-36	-29
<b>Profit/loss before tax</b>	<b>6</b>	<b>2</b>

Alm. Brand Leasing continues to experience an increase in the number of new car leases. Accordingly, the port-

folio increased by DKK 29 million in Q2 2016, corresponding to an annual increase of 17%. However, due to mounting competition in the market, growth has decelerated compared with previous years.

The leasing portfolio amounted to DKK 708 million at 30 June 2016, which was DKK 117 million higher than at the year-earlier date.

#### *Other activities*

Other activities, consisting primarily of Treasury, reported a pre-tax loss of DKK 5 million in Q2 2016, against a loss of DKK 10 million in Q2 2015.

#### *Other activities*

DKKm	Q2 2016	Q2 2015
Income	3	5
Expenses	-4	-3
<b>Core earnings</b>	<b>-1</b>	<b>2</b>
Value adjustments	-4	-12
<b>Profit/loss before tax</b>	<b>-5</b>	<b>-10</b>

The Q2 results were adversely affected by the combination of the continued low level of interest rates and continued significant excess liquidity.

### **WINDING-UP ACTIVITIES**

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

The winding-up activities posted a break-even result in Q2 2016, marking a significant improvement over the DKK 78 million loss reported in Q2 2015.

Writedowns amounted to DKK 13 million in Q2 2016, (Q2 2015: DKK 62 million). The improvement was mainly driven by the fact that no further increase of the total impairment level for agricultural exposures was necessary.

The profit before impairment writedowns was DKK 13 million in Q2 2016, up DKK 29 million year on year. This improvement was mainly driven by the bank's improved funding situation and by positive value adjustments on equities taken over.

The total credit exposure of the winding-up portfolio declined by DKK 81 million to DKK 2,651 million in Q2 2016. Adjusted for losses and writedowns, loans and advances were reduced by DKK 36 million, which was in line with expectations.

The bank's winding-up activities were adversely affected by continued unfavourable conditions for agriculture, while the commercial portfolio continued to benefit from strong demand for prime location rental properties.

Overall, the winding-up activities developed better than expected.

### **Agriculture**

The agricultural portfolio amounted to DKK 266 million at 30 June 2016. Excluding impairment writedowns, the portfolio was reduced by DKK 3 million in Q2 2016.

Impairment writedowns amounted to DKK 10 million in Q2 2016, which was in line with expectations. However, the level reflects the continuing difficult conditions in the agricultural sector.

Milk settlement prices have dropped even further from the level prevailing in Q1 2016, and no significant increases are anticipated for the upcoming period. Pork prices increased from the first quarter to the second quarter, and forecasts are predicting a price increase in the autumn of 2016.

### **Commercial**

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

Impairment writedowns of DKK 6 million were reversed in the second quarter. The reversal was attributable to several underlying changes, but mainly to better-than-expected agreements with debtors and sales proceeds received.

The total portfolio amounted to DKK 658 million at 30 June 2016. Excluding impairment writedowns, the portfolio was reduced by DKK 29 million as a result of general portfolio reductions.

### **Mortgage deeds**

The segment comprises the bank's own portfolio of private and commercial mortgage deeds and a mortgage deed exposure through an option agreement with Alm. Brand Forsikring. The own portfolio consists primarily of delinquent mortgage deeds.

The own portfolio amounted to DKK 218 million and was reduced in Q2 2016 by DKK 4 million adjusted for losses and writedowns. Impairment writedowns of DKK 2 million were reported in Q2 2016, against a DKK 8 million reversal in Q1 2016.

The credit exposure through the option agreement on mortgage deeds amounted to DKK 1,509 million at 30 June 2016. Credit-related capital losses on the option agreement amounted to DKK 7 million in Q2 2016, which was in line with expectations.

DKKm	Credit exposure after writedowns			Losses and writedowns				Impair- ment in % <sup>a)</sup>
	Year 2015	30 June 2016	Share of portfolio in %	Year 2015	Q1 2016	Q2 2016	H1 2016	
Agriculture	308	266	23	274	9	10	19	7
Commercial	781	658	58	-41	-13	-6	-19	-3
Mortgage deeds	228	218	19	29	-8	2	-6	-3
<b>Total loans and advances</b>	<b>1,317</b>	<b>1,142</b>	<b>100</b>	<b>262</b>	<b>-12</b>	<b>6</b>	<b>-6</b>	<b>-1</b>
Mortgage deeds option agreement <sup>b)</sup>	1,588	1,509		44	11	7	18	1
<b>Winding-up activities</b>	<b>2,905</b>	<b>2,651</b>		<b>306</b>	<b>-1</b>	<b>13</b>	<b>12</b>	<b>0</b>

a) Losses and write-downs as a percentage of the average portfolio in H1 2016. The percentage is not comparable with the impairment ratio in the overview of financial ratios

b) Impairment writedowns include credit-related value adjustments of mortgage deeds

## HI PERFORMANCE

The bank posted a pre-tax profit of DKK 29 million in H1 2016, against a loss of DKK 154 million in H1 2015. The performance equalled a return on equity of 3.8% p.a. before tax.

The profit was composed of a profit of DKK 23 million on forward-looking activities and a profit of DKK 6 million on winding-up activities. Compared with the same period of last year, the forward-looking activities increased by DKK 25 million, whereas the winding-up activities improved by DKK 158 million.

The bank's total impairment writedowns amounted to DKK 8 million, against DKK 131 million in the same period of last year. The impairment writedowns are composed of a reversal of DKK 4 million relating to forward-looking activities and impairment writedowns of DKK 12 million relating to winding-up activities.

The interest margin for the banking group was 2.5% in H1 2016, compared with 1.8% in H1 2015.

Core earnings for the forward-looking activities amounted to a profit of DKK 34 million in H1 2016, up DKK 2 million year on year.

Value adjustments in the forward-looking activities amounted to a capital loss of DKK 15 million in H1 2016, marking a DKK 13 million improvement year on year.

For the forward-looking activities, costs amounted to DKK 179 million in H1 2016 (H1 2015: DKK 184 million). The decline was primarily driven by the fact that no expenses were incurred for the Guarantee Fund for Depositors and Investors in the first half of 2016.

## BALANCE SHEET

### Loans and advances

The bank's loans and advances totalled DKK 4.0 billion at 30 June 2016, against DKK 4.3 billion at 31 December 2015, corresponding to a decline of DKK 0.3 billion.

For the forward-looking activities, loans and advances,

excluding intra-group lending, fell by DKK 52 million in Q2 2016, while loans and advances in the winding-up portfolio declined by DKK 41 million. The decline in the forward-looking activities was due to the repayment of large lending exposures related to Financial Markets.

### Deposits

The bank had deposits of DKK 7.6 billion at 30 June 2016, against DKK 8.1 billion at 31 December 2015. The decline was expected due to the expiry of fixed-rate deposits.

At 30 June 2016, floating-rate deposits represented 87% of total deposits, against 78% at 31 December 2015. The bank's strategy is to reduce fixed-rate deposits further in 2016.

### Liquidity

At 30 June 2016, the bank's liquidity amounted to DKK 4.1 billion, and the bank expects to reduce liquidity further during the second half of 2016.

The excess liquidity was DKK 3.0 billion, equivalent to 288% of the statutory requirement. The excess cover increased by DKK 0.3 billion in Q2 2016.

At 30 June 2016, Alm. Brand Bank had a liquidity coverage ratio (LCR) of 330%.

### Capitalisation

The bank's total capital amounted to DKK 1.4 billion at 30 June 2016. The excess cover relative to the individual solvency need increased in the second quarter and is developing satisfactorily.

#### Capitalisation

DKKbn	Parent company	Group
Total capital	1.4	1.4
Risk exposure amount	7.0	7.4
Total capital ratio	20.1	18.7
Tier 1 capital ratio	20.1	18.7
Individual solvency need	13.8	13.5
Excess cover	6.3	5.2

*Capital reservation for credit risk*

The banking group's total capital reservation for credit risk amounted to DKK 2,672 million at 30 June 2016, against DKK 2,953 million at 31 December 2015. The capital reservation equalled 36% of the credit exposure, which was on a par with the level at 31 December 2015.

The capital reservation for the forward-looking portfolio represented 22% of gross loans and advances, and

the capital reservation for the winding-up portfolio represented 46% of the credit exposure.

At 30 June 2016, accumulated writedowns amounted to DKK 1,318 million, against DKK 1,440 million at 31 December 2015. Accumulated writedowns broke down as follows at 30 June 2016: DKK 307 million on the forward-looking portfolio and DKK 1,011 million on the winding-up portfolio. To this should be added credit-related value adjustments of mortgage deeds of DKK 651 million.

*Capital reservation for credit risk*

30.06.2016

31.12.2015

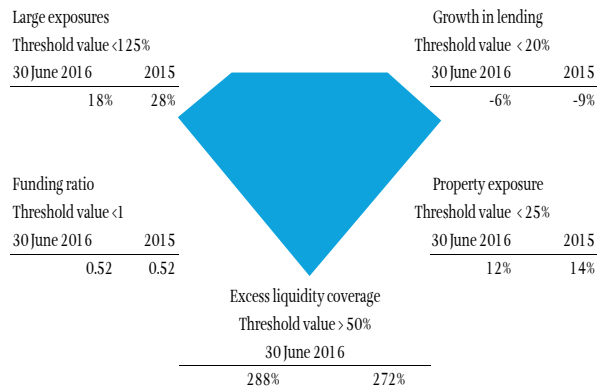
DKKm	Total assets	Credit exposure <sup>a)</sup>	Acc. impairment writedowns <sup>b)</sup>	Required capital	Total reservation	Reservation/credit exposure	Total reservation	Reservation/credit exposure
Forward-looking portfolio	2,655	2,962	307	352	659	22%	663	22%
Winding-up portfolio	1,142	4,313	1,662	340	2,002	46%	2,271	48%
<b>Total - excl. reverse transactions</b>	<b>3,797</b>	<b>7,275</b>	<b>1,969</b>	<b>692</b>	<b>2,661</b>	<b>37%</b>	<b>2,934</b>	<b>38%</b>
Reverse transactions including intercompany transactions	204	204	-	11	11	5%	19	6%
<b>Total group</b>	<b>4,001</b>	<b>7,479</b>	<b>1,969</b>	<b>703</b>	<b>2,672</b>	<b>36%</b>	<b>2,953</b>	<b>37%</b>

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

b) Including value adjustments of mortgage deeds.

**SUPERVISORY DIAMOND**

At 30 June 2016, the bank was in compliance with all five threshold values of the Danish FSA's supervisory diamond as shown in the figure below:



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

**MAJOR EVENTS****Increase of the current account limit**

The current account limit with Danmarks Nationalbank was increased by DKK 50 million at 30 May 2016 to total DKK 175 million for Alm. Brand Bank.

# Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the six months ended 30 June 2016.

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

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

In our opinion, the interim report gives a true and fair view of the group’s and the parent company’s assets, liabilities and financial position at 30 June 2016 and of the group’s cash flows for the six months ended 30 June 2016.

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

## MANAGEMENT BOARD

Copenhagen, 25 August 2016

*Søren Boe Mortensen*

Chief Executive Officer

## BOARD OF DIRECTORS

Copenhagen, 25 August 2016

*Jørgen H. Mikkelsen*

Chairman

*Jan Skytte Pedersen*

Deputy Chairman

*Ebbe Castella*

*Henrik Christensen*

*Anette Eberhard*

*Per V. H. Frandsen*

*Karen Sofie Hansen-Hoeck*

*Boris N. Kjeldsen*

*Lars Christiansen*

*Brian Egested*

*Helle L. Frederiksen*

*Susanne Larsen*



## Balance sheet

DKKm	Group		
	30 June 2016	30 June 2015	Year 2015
<b>Assets</b>			
Owner-occupied properties	674	1,005	695
Deferred tax assets	288	432	405
Participating interests in joint ventures	13	12	12
Reinsurers' share of insurance contracts	226	218	242
Current tax assets	0	11	10
Other assets	2,495	2,425	1,466
Loans	5,511	6,195	5,643
Investment properties	952	629	939
Investment assets	25,104	24,750	25,055
Amounts due from credit institutions and central banks	398	671	323
Cash in hand and demand deposits	239	552	313
<b>Total assets</b>	<b>35,900</b>	<b>36,900</b>	<b>35,103</b>
<b>Liabilities and equity</b>			
Share capital	1,735	1,735	1,735
Reserves, retained profit etc.	3,170	3,174	2,909
Proposed dividend	0	0	521
<b>Consolidated shareholders' equity</b>	<b>4,905</b>	<b>4,909</b>	<b>5,165</b>
Subordinated debt	574	574	574
Provisions for insurance contracts	20,451	20,065	19,427
Other provisions	34	34	34
Issued bonds	0	5	5
Current tax liabilities	1	0	0
Other liabilities	1,533	1,264	1,189
Deposits	7,362	8,912	7,999
Payables to credit institutions and central banks	1,040	1,137	710
<b>Total liabilities and equity</b>	<b>35,900</b>	<b>36,900</b>	<b>35,103</b>

Note 1 Own shares

Note 2 Contingent liabilities, guaranties and leasing

Note 3 Accounting policies - Group

Note 4 Financial highlights and key ratios



## Income and comprehensive income statement

DKKm	Group				
	Q2 2016	Q2 2015	H1 2016	H1 2015	Year 2015
<b>Income</b>					
Premium income	1,560	1,561	3,143	3,228	6,372
Interest income etc.	223	237	437	495	915
Fee income etc.	35	30	74	63	128
Other income from investment activities	0	-2	-2	-5	1
Income associates	0	1	0	1	1
Other income	56	43	110	87	179
<b>Total income</b>	<b>1,874</b>	<b>1,870</b>	<b>3,762</b>	<b>3,869</b>	<b>7,596</b>
<b>Costs</b>					
Claims incurred	-1,017	-1,022	-2,046	-2,041	-4,121
Interest expenses	-34	-50	-73	-111	-206
Other cost from investment activities	-20	-19	-41	-35	-58
Impairment of loans, advances and receivables, etc.	-1	-56	4	-107	-253
Acquisition and administrative costs	-369	-351	-715	-700	-1,377
<b>Total costs</b>	<b>-1,441</b>	<b>-1,498</b>	<b>-2,871</b>	<b>-2,994</b>	<b>-6,015</b>
Profit from business ceded	-57	-77	-137	-148	-249
Change in life insurance provisions	-252	371	-497	-20	-121
Change in collective bonus potential	0	78	0	-96	-45
Exchange rate adjustments	173	-731	314	-331	-499
Tax on pension investment returns	-48	85	-88	-5	-22
<b>Profit/loss before tax</b>	<b>249</b>	<b>98</b>	<b>483</b>	<b>275</b>	<b>645</b>
Tax	-55	-7	-104	-48	-121
<b>Profit/loss after tax</b>	<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>
Earnings per share, DKK	1.2	0.6	2.3	1.5	3.1
Diluted earnings per share, DKK	1.1	0.6	2.2	1.5	3.1
<b>Comprehensive income</b>					
Profit for the period	194	91	379	227	524
<i>Items that may be recycled to profit or loss</i>	0	0	0	0	0
<i>Items that may not be recycled to profit or loss:</i>					
Revaluation of owner-occupied properties	0	0	0	0	7
Transferred to collective bonus potential	0	0	0	0	-7
Tax on other comprehensive income	0	0	0	0	0
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>	<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>
<b>Proposed allocation of profit/loss:</b>					
Share attributable to Alm. Brand	194	91	379	227	524
<b>Comprehensive income</b>	<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>

## Statement of changes in equity

DKKm	Share capital	Contin- gency funds	Other provi- sions	Retained profit	Proposed dividend	Consoli- dated equity
<b>Shareholders equity, 1 January 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,628</b>	<b>87</b>	<b>4,847</b>
Change in accounting policies				-62		-62
<b>Adjusted shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,566</b>	<b>87</b>	<b>4,785</b>
<b>Changes in equity H1 2015:</b>						
Profit/loss for the period				227		227
Total income	0	0	0	227	0	227
Paid dividend					-87	-87
Received dividend of treasury shares				2		2
Purchase and sale of treasury shares				-21		-21
Share option scheme, issuance				3		3
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>211</b>	<b>0</b>	<b>124</b>
<b>Shareholders equity, 30 June 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,775</b>	<b>87</b>	<b>4,909</b>
<b>Adjusted shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,566</b>	<b>87</b>	<b>4,785</b>
<b>Changes in equity 2015:</b>						
Profit/loss for the year				524	0	524
Revaluation of owner-occupied properties				7		7
Transferred to collective bonus potential				-7		-7
Total income	0	0	0	524	0	524
Proposed dividend				-521	521	0
Paid dividend				2	-87	-85
Share option scheme, issuance				5		5
Share option scheme, exercise				4		4
Purchase and sale of treasury shares				-68		-68
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-54</b>	<b>434</b>	<b>380</b>
<b>Shareholders equity, 31 December 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,512</b>	<b>521</b>	<b>5,165</b>
<b>Shareholders equity, 1 January 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,512</b>	<b>521</b>	<b>5,165</b>
Change in accounting policies				4		4
<b>Adjusted shareholders' equity at 1 January 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,516</b>	<b>521</b>	<b>5,169</b>
<b>Changes in equity H1 2016:</b>						
Profit/loss for the period				379		379
Total income	0	0	0	379	0	379
Paid dividend				0	-521	-521
Received dividend of treasury shares				21		21
Share option scheme, issuance				1		1
Share option scheme, exercise				13		13
Purchase and sale of treasury shares				-157		-157
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>257</b>	<b>-521</b>	<b>-264</b>
<b>Shareholders equity, 30 June 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,773</b>	<b>0</b>	<b>4,905</b>

## Capital target

<b>DKKm</b>	<b>Total capital 30 June 2016</b>
Equity	4,905
Tax asset	-327
Share buyback programme	-224
Tier 2 capital	494
<b>Total Capital for the Group</b>	<b>4,848</b>
	<b>Capital target 30 June 2016</b>
<b>DKKm</b>	<b>30 June 2016</b>
Non-life insurance (40% of gross premium income)	2,012
Life and Pension (8% of life insurance provisions)	909
Banking (16.5% of risk weighted assets) *	1,214
Alm. Brand A/S buffer, winding-up portfolio (1.3% of net lending)	345
Diversification effects	-300
<b>Consolidated capital target</b>	<b>4,180</b>
<i>*) Calculated as the individual solvency need at 30 June plus 3 percentage point but not less than 16%</i>	
<b>Statutory capital requirement for the group at 30 June 2016</b>	<b>2,515</b>
<b>Excess relative to statutory capital requirement</b>	<b>2,333</b>
<b>Excess relative to internal capital target</b>	<b>668</b>

## Cash flow statement

DKKm	<b>Group</b>		
	<b>H1</b>	<b>H1</b>	<b>Year</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Premiums received	3,307	3,755	6,257
Claims paid	-2,087	-2,164	-4,280
Interest receivable, dividends, etc.	401	472	880
Interest payable	-22	-59	-95
Payments concerning reinsurance	85	-66	-157
Fee income received	80	71	155
Fee income paid	-6	-12	-27
Expences paid	-631	-796	-1,855
Tax on pension investment returns paid	-22	-167	-168
Other ordinary income received	110	87	179
Taxes paid/received	-1	-3	2
<b>Cash flows from operating activities</b>	<b>1,214</b>	<b>1,118</b>	<b>891</b>
<b>Change in investment placement</b>			
Acquisition of intangible assets, furniture, equipment, etc.	-58	-82	-147
Properties acquired or converted	-12	-14	-5
Sale/aquisition of equity investments	20	130	359
Sale/repayment of mortgage deeds and loans	50	199	598
Sale/aquisition of bonds	-258	1,420	1,733
<b>Change in investment placement (net)</b>	<b>-258</b>	<b>1,653</b>	<b>2,538</b>
<b>Change in financing</b>			
Sale/purchase of treasury shares	-157	-21	-64
Dividend distributed	-500	-87	-85
Subordinated debt	0	0	0
Share issue	14	3	5
Change in issued bonds	-5	-16	-16
Change in deposits	-637	-1,793	-2,569
Change in payables to credit institutions	330	-835	-1,262
Change in other liabilities	0	-2	-3
<b>Change in financing</b>	<b>-955</b>	<b>-2,751</b>	<b>-3,994</b>
<b>Net change in cash and cash equivalents</b>	<b>1</b>	<b>20</b>	<b>-565</b>
Cash and cash equivalents, beginning of period	636	1,201	1,201
<b>Cash and cash equivalents, end of period</b>	<b>637</b>	<b>1,221</b>	<b>636</b>

# Segment reporting

DKKm						H1 2016	
	Non-life	Life	Bank	Other	Elimi- nation	Group	
Premium income	2,492	651	0	0		3,143	
Interest income etc.	131	177	127	3	-1	437	
Fee income etc.	0	0	95	0	-21	74	
Other investment income	0	28	0	0	-30	-2	
Income associates	0	0	0	0	0	0	
Other income	0	0	110	0		110	
<b>Total income</b>	<b>2,623</b>	<b>856</b>	<b>332</b>	<b>3</b>	<b>-52</b>	<b>3,762</b>	
Claims incurred	-1,540	-506	0	0		-2,046	
Interest expenses	-44	-2	-22	-6	1	-73	
Other investment expenses	-17	-21	0	-24	21	-41	
Impairment of loans, advances and receivables, etc.	0	0	4	0		4	
Acquisition and administrative expenses	-418	-46	-281	0	30	-715	
<b>Total expenses</b>	<b>-2,019</b>	<b>-575</b>	<b>-299</b>	<b>-30</b>	<b>52</b>	<b>-2,871</b>	
Result of business ceded	-136	-1	0	0		-137	
Change in life insurance provisions	0	-497	0	0		-497	
Exchange rate adjustments	-42	360	-4	0		314	
Tax on pension investment returns	0	-88	0	0		-88	
<b>Profit/loss before tax</b>	<b>426</b>	<b>55</b>	<b>29</b>	<b>-27</b>	<b>0</b>	<b>483</b>	
Tax	-90	-14	-6	6		-104	
<b>Profit/loss after tax</b>	<b>336</b>	<b>41</b>	<b>23</b>	<b>-21</b>	<b>0</b>	<b>379</b>	
<b>H1 2015</b>							
Premium income	2,506	722	0	0		3,228	
Interest income etc.	144	193	158	1	-1	495	
Fee income etc.	0	0	89	0	-26	63	
Other investment income	0	27	0	0	-32	-5	
Income associates	0	0	1	0	0	1	
Other income	0	0	87	0		87	
<b>Total income</b>	<b>2,650</b>	<b>942</b>	<b>335</b>	<b>1</b>	<b>-59</b>	<b>3,869</b>	
Claims incurred	-1,500	-541	0	0		-2,041	
Interest expenses	-45	-2	-59	-6	1	-111	
Other investment expenses	-16	-24	0	-21	26	-35	
Impairment of loans, advances and receivables, etc.	0	0	-107	0		-107	
Acquisition and administrative expenses	-404	-45	-283	0	32	-700	
<b>Total expenses</b>	<b>-1,965</b>	<b>-612</b>	<b>-449</b>	<b>-27</b>	<b>59</b>	<b>-2,994</b>	
Result of business ceded	-147	-1	0	0		-148	
Change in life insurance provisions	0	-20	0	0		-20	
Change in collective bonus potential	0	-96	0	0		-96	
Exchange rate adjustments	-118	-168	-40	-5		-331	
Tax on pension investment returns	0	-5	0	0		-5	
<b>Profit/loss before tax</b>	<b>420</b>	<b>40</b>	<b>-154</b>	<b>-31</b>	<b>0</b>	<b>275</b>	
Tax	-100	9	36	7		-48	
<b>Profit/loss after tax</b>	<b>320</b>	<b>49</b>	<b>-118</b>	<b>-24</b>	<b>0</b>	<b>227</b>	

## Notes

DKK <sup>m</sup>	Group		
	H1 2016	H1 2015	Year 2015
<b>Note 1 Own Shares</b>			
Carrying amount, beginning of year	0	0	0
Value adjustments	-145	-12	-65
Acquired during the period	162	12	69
Sold during the period	-17	0	-4
<b>Carrying amount, end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>
Nominal value, beginning of year	50	38	38
Acquired during the period	35	5	16
Sold during the period	-9	0	-4
<b>Nominal value, end of period</b>	<b>76</b>	<b>43</b>	<b>50</b>
Holding number of shares (1,000), beginning of year	5,090	3,838	3,838
Additions, number of shares	3,534	506	1,611
Disposals, number of shares	-923	0	-359
<b>Holding number of shares (1,000), end of period</b>	<b>7,701</b>	<b>4,344</b>	<b>5,090</b>
<b>Percentage of share capital, end of period</b>	<b>4.4%</b>	<b>2.5%</b>	<b>2.9%</b>

### Note 2 Contingent liabilities, guaranties and leasing

<b>Guarantee commitments</b>	<b>1,399</b>	<b>1,246</b>	<b>1,404</b>
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### Note 3 Accounting policies, group

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

The parent company interim report has been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

On 20 May 2016, the Danish FSA issued an interpretation on the calculation of profit margin for financial reporting purposes, according to which the profit margin on the conventional pension product is to be calculated in the financial statements on a policy basis rather than on the basis of interest rate groups. In the opinion of Alm. Brand Liv og Pension and the industry, this approach does not provide a true and fair view of the practice applied in the conventional product. Discussions are under way between the industry and the FSA about the new interpretation, and pending the out-

come of these discussions, in the interim report for H1, Alm. Brand has chosen to continue to calculate profit margin on an interest rate group basis rather than on a policy basis. The interpretation solely concerns the distribution and specification of technical provisions for accounting purposes and will not impact the profit for the period or the solvency statement.

The interim report is unaudited.

#### New financial reporting rules as per 1 January 2016

The Danish FSA has issued a new Executive Order on financial reports of insurance companies and multi-employer occupational pension funds applicable as from 1 January 2016. In addition, amending executive order no. 688 of 10 June 2016 has been implemented. Apart from presentation changes, the new provisions also imply an amendment to the measurement of technical provisions and introduce new concepts such as risk margin and profit margin. We believe that the changed presentation and measurement methods are within the scope of the IFRS provisions. Moreover, a new yield curve for the discounting of insurance liabilities was introduced. Alm. Brand Liv og Pension A/S and Alm. Brand Forsikring A/S have obtained permission from the Danish

FSA to use volatility adjustment, which is an additional allowance in relation to the yield curve from the EIOPA that partly reduces liabilities and partly makes it easier to hedge yield curve fluctuations.

For Alm. Brand Liv og Pension A/S, the amended rules imply that technical provisions relating to the life insurance business overall are presented as life insurance provisions and profit margin on life insurances, respectively. The transition to the new provisions, including the implementation of the new yield curve, has resulted in a reduction of the provisioning level for portfolios without bonus entitlement by DKK 6 million. Other than that, no changes in total technical provisions relating to the life insurance business are expected.

Moreover, technical provisions relating to health and personal accident insurance are presented as premium provisions, profit margin on non-life insurance contracts, claims provisions and risk margin on non-life insurance contracts. As a result of the fact that premium provisions are only to be calculated for the period until the next possible premium adjustment date, and not as

previously until the date of expiry, the transition to the new rules imply a reduction of provisions relating to health and personal accident insurance in the amount of DKK 59 million.

For Alm. Brand Forsikring A/S, the amended rules imply that the technical provisions are presented as premium provisions, profit margin on non-life insurance contracts, claims provisions and risk margin on non-life insurance contracts. The transition to a new yield curve, the implementation of profit and risk margins on premium provisions and changes to the calculation of these as well as the implementation of a risk margin increased the provisioning level by DKK 146 million.

For the Alm. Brand Group as a whole, the implementation of the new Executive Order will cause Alm. Brand A/S's shareholders' equity to decline by DKK 63 million.

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

#### **Note 4 Financial highlights and key ratios**

See the management's review.

## Balance sheet

DKKm	Note	Parent company		
		30 June 2016	30 June 2015	Year 2015
<b>Assets</b>				
Investment in group enterprises	1	4,493	4,773	5,089
<b>Total investments in group enterprises and associates</b>		<b>4,493</b>	<b>4,773</b>	<b>5,089</b>
Equity investments		1	1	1
Bonds		621	319	297
Other loans and advances		2	2	2
Deposits with credit institutions		0	0	22
Cash in hand and balances at call		0	9	0
<b>Total other financial investment assets</b>		<b>624</b>	<b>331</b>	<b>322</b>
<b>Total investment assets</b>		<b>5,117</b>	<b>5,104</b>	<b>5,411</b>
Receivables from group enterprises		16	8	10
Other receivables		34	35	45
<b>Total receivables</b>		<b>50</b>	<b>43</b>	<b>55</b>
Current tax assets		21	53	15
Deferred tax assets		13	15	0
<b>Total other assets</b>		<b>34</b>	<b>68</b>	<b>15</b>
Total prepayments		5	0	0
<b>Total assets</b>		<b>5,206</b>	<b>5,215</b>	<b>5,481</b>
<b>Liabilities and equity</b>				
Share capital		1,735	1,735	1,735
Other provisions		1,215	1,215	1,215
Proposed dividend		0	0	521
Retained earnings		1,955	1,959	1,694
<b>Total shareholders' equity</b>		<b>4,905</b>	<b>4,909</b>	<b>5,165</b>
Subordinated debt		250	250	250
<b>Subordinated debt</b>		<b>250</b>	<b>250</b>	<b>250</b>
Deferred tax liabilities		40	40	27
<b>Total provisions</b>		<b>40</b>	<b>40</b>	<b>27</b>
Payables to group enterprises		2	1	24
Issued bonds		0	5	5
Other payables		9	10	10
<b>Total payables</b>		<b>11</b>	<b>16</b>	<b>39</b>
<b>Total liabilities and equity</b>		<b>5,206</b>	<b>5,215</b>	<b>5,481</b>



## Income and comprehensive income statement

DKKm	Note	Parent company				
		Q2 2016	Q2 2015	H1 2016	H1 2015	Year 2015
<b>Income statement</b>						
Income from group enterprises	2	203	105	400	251	566
Value adjustments, bonds		0	-5	0	-5	-5
Interest income and dividends etc.		2	1	3	1	2
Interest expenses		-2	-3	-6	-6	-13
Administrative expenses related to investment activities		-12	-11	-24	-21	-39
<b>Profit/loss before tax</b>		<b>191</b>	<b>87</b>	<b>373</b>	<b>220</b>	<b>511</b>
Tax		3	4	6	7	13
<b>Profit/loss after tax</b>		<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>
<b>Comprehensive income</b>						
Profit/loss for the year		194	91	379	227	524
<b>Comprehensive income</b>		<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>
<b>Proposed allocation of loss:</b>						
Proposed dividend		0	-87	0	-87	521
Retained earnings		194	178	379	314	3
<b>Comprehensive income</b>		<b>194</b>	<b>91</b>	<b>379</b>	<b>227</b>	<b>524</b>

Accounting policies

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## Statement of changes in equity

DKKkM	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
<b>Shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>1,215</b>	<b>1,810</b>	<b>87</b>	<b>4,847</b>
Change in accounting policies			-62		-62
<b>Adjusted shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>1,215</b>	<b>1,748</b>	<b>87</b>	<b>4,785</b>
<b>Changes in equity H1 2015:</b>					
Profit/loss for the period			227	0	227
Comprehensive income			227	0	227
Dividend distributed			0	-87	-87
Dividend received, treasury shares			2		2
Purchase and sale of treasury shares			-21		-21
Share option scheme			3		3
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>211</b>	<b>-87</b>	<b>124</b>
<b>Shareholders' equity at 30 June 2015</b>	<b>1,735</b>	<b>1,215</b>	<b>1,959</b>	<b>0</b>	<b>4,909</b>
<b>Adjusted shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>1,215</b>	<b>1,748</b>	<b>87</b>	<b>4,785</b>
<b>Changes in equity 2015:</b>					
Profit/loss for the year			524	0	524
Comprehensive income			524	0	524
Proposed dividend			-521	521	0
Dividende distributed			2	-87	-85
Purchase and sale of treasury shares			-68		-68
Share option scheme, issuance			5		5
Share option scheme, exercise			4		4
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>-54</b>	<b>434</b>	<b>380</b>
<b>Shareholders' equity at 31 December 2015</b>	<b>1,735</b>	<b>1,215</b>	<b>1,694</b>	<b>521</b>	<b>5,165</b>
<b>Shareholders' equity at 1 January 2016</b>	<b>1,735</b>	<b>1,215</b>	<b>1,694</b>	<b>521</b>	<b>5,165</b>
Change in accounting policies			4		4
<b>Adjusted shareholders' equity at 1 January 2016</b>	<b>1,735</b>	<b>1,215</b>	<b>1,698</b>	<b>521</b>	<b>5,169</b>
<b>Changes in equity H1 2016:</b>					
Profit/loss for the period			379	0	379
Comprehensive income			379		379
Dividend distributed			0	-521	-521
Dividend received, treasury shares			21		21
Purchase and sale of treasury shares			-157		-157
Share option scheme, issuance			1		1
Share option scheme, exercise			13		13
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>257</b>	<b>-521</b>	<b>-264</b>

## Notes

DKKm	30 June 2016	30 June 2015	Year 2015
<b>Note 1 Investment in group enterprises</b>			
Cost beginning of year	8,790	8,790	8,790
Cost, year-end	8,790	8,790	8,790
Revaluation and impairment beginning of year	-3,701	-3,806	-3,806
Change in accounting policies	4	-62	-62
Dividend received	-1,000	-400	-400
Profit/loss for the period	400	251	566
Revaluation and impairment of treasury shares in subsidiaries	0	0	1
Revaluation and impairment, year-end	-4,297	-4,017	-3,701
<b>Investment in group enterprises, year-end</b>	<b>4,493</b>	<b>4,773</b>	<b>5,089</b>
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,517	1,625	1,495
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	2,976	3,148	3,594
Investment in group enterprises, year-end	4,493	4,773	5,089

### Note 2 Income from group enterprises

DKKm	H1 2016	H1 2015	Year 2015
Alm. Brand Bank A/S	22	-118	-249
Alm. Brand Forsikring A/S	378	369	815
<b>Total income from group enterprises</b>	<b>400</b>	<b>251</b>	<b>566</b>
<i>The results are recognised in the following items:</i>			
Income from group enterprises	400	256	566
Total income from group enterprises	400	256	566

### Note 3 Accounting policies, parent company

The interim report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

With respect to recognition and measurement, the accounting policies of the parent company are identical to those described for the group, with the exception that:

Investments in group enterprises are recognised and

measured at the parent company's share of the group enterprises' net asset value on the balance sheet date. The value of Pensionskassen under Alm. Brand A/S is not recognised in the balance sheet but is exclusively disclosed in the notes as a contingent liability.

Apart from the description in the group's accounting policies on pages 28 and 29, the accounting policies are consistent with those applied in the 2015 Annual Report.

The interim report is unaudited.