

# Interim report - the first quarter 2017

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

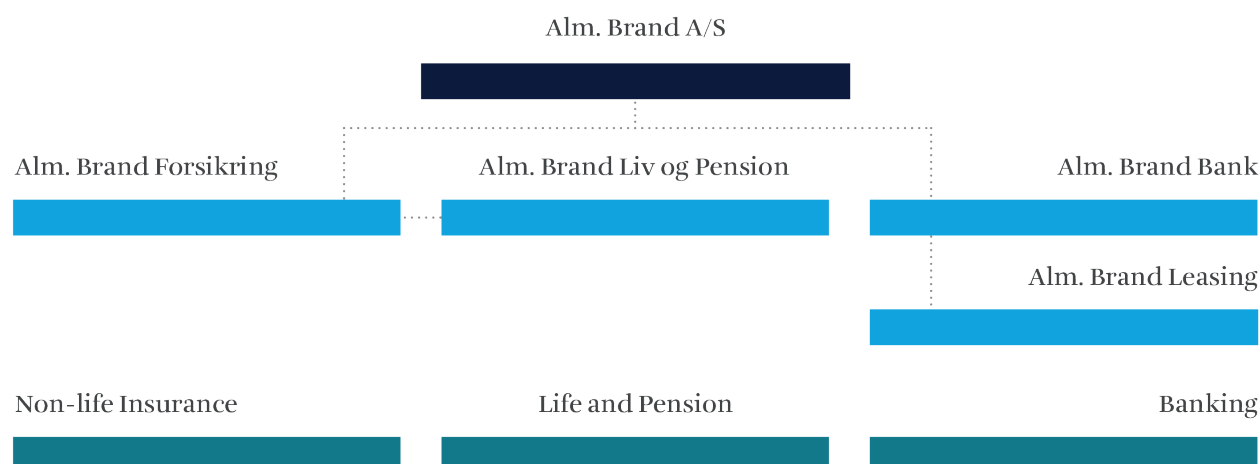
## REGISTRATION

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

## ADDRESS

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## GROUP STRUCTURE

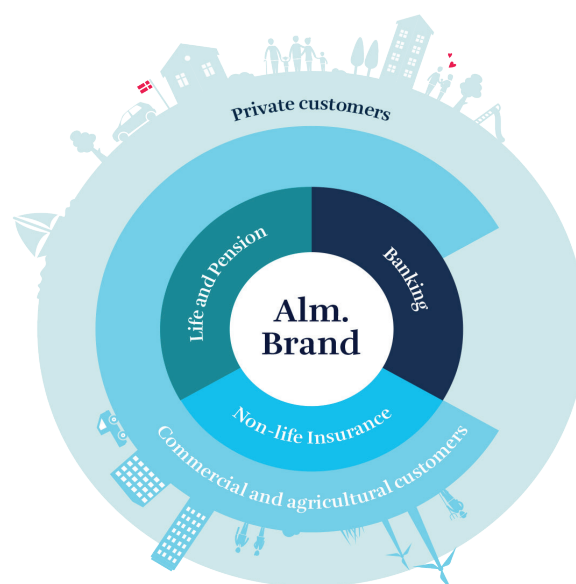


*Companies with negligible or discontinued activities are not included.*

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.

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	Q1 2017	Q1 2016	Year 2016
<b>Income</b>			
Non-life Insurance	1,267	1,245	5,028
Life and Pension	398	338	1,281
Banking	165	168	653
Investments	151	137	532
<b>Total income</b>	<b>1,981</b>	<b>1,888</b>	<b>7,494</b>
<b>Profit</b>			
Non-life Insurance	236	205	967
Life and Pension	34	29	84
Banking	18	8	62
Other activities	-14	-14	-62
<b>Profit/loss before tax, forward-looking activities</b>	<b>274</b>	<b>228</b>	<b>1,051</b>
Banking, winding-up activities	-2	6	-18
<b>Profit/loss before tax</b>	<b>272</b>	<b>234</b>	<b>1,033</b>
Tax	-58	-49	-207
<b>Profit/loss after tax</b>	<b>214</b>	<b>185</b>	<b>826</b>
<b>Consolidated profit/loss before tax, Group</b>	<b>272</b>	<b>234</b>	<b>1,033</b>
Tax	-58	-49	-207
<b>Consolidated profit/loss after tax, Group</b>	<b>214</b>	<b>185</b>	<b>826</b>
Provisions for insurance contracts	21,089	20,464	20,092
Shareholders' equity	5,360	5,276	5,200
Total assets	35,751	35,913	34,859
Return on equity before tax p.a. (%)	20.6	17.9	20.2
Return on equity after tax p.a. (%)	16.2	14.2	16.2
Earnings per share	1.3	1.1	5.0
Diluted Earnings per share	1.3	1.1	4.9
Net assets value per share	32	31	31
Share price end of period	56.5	48.0	54.0
Share price/Net asset value	1.74	1.55	1.73
Average number of shares ('000)	162,817	167,507	165,839
No. of shares, diluted ('000)	165,228	170,884	166,218
Average no. of shares, diluted ('000)	165,595	171,566	169,321
Dividend per share	0.0	0.0	1.5
Dividend per share, extraordinary	0.0	0.0	3.5
No. of shares bought back ('000)	1,160	1,834	6,472
Avr. price of shares bought back, DKK	55.3	44.8	47.7
Total payout ratio	0.7	1.0	3.7

# Alm. Brand Group

## Q1 PERFORMANCE

The Alm. Brand Group posted a pretax profit of DKK 272 million in Q1 2017, which was an improvement of DKK 38 million year on year. The profit translates into a return on equity of 21% p.a., for a better-than-expected and highly satisfactory overall performance.

The group's forward-looking activities produced a pre-tax profit of DKK 274 million (Q1 2016: DKK 228 million). The results of Non-life Insurance, Life and Pension and the bank's forward-looking activities were all better than anticipated.

The bank's winding-up activities produced a loss of DKK 2 million, against a profit of DKK 6 million in Q1 2016, which was slightly lower than expected.

### Non-life Insurance

Our non-life insurance activities generated a pre-tax profit of DKK 236 million, which was highly satisfactory and better than expected. The combined ratio was 84.4.

The performance was up by DKK 31 million on Q1 2016. The performance was lifted by an improved investment result, fewer weather-related claims and by run-off gains.

Conversely, the first quarter of 2017 was adversely affected by increased expenses for major claims, higher costs and a greater number of small claims than in the same period of last year.

Gross premium income amounted to DKK 1,267 million in Q1 2017, up 1.8% on the year-earlier period. In spite of a persistently highly competitive market, both the private customer segment and the commercial customer segment outperformed our expectations. In addition, the number of customers leaving Alm. Brand was lower in both private and commercial lines. Customer retention thus improved in both segments.

Supported by a narrowing of the interest spread between mortgage bonds and swap rates in the first quarter, developments in the fixed-income market served to lift the investment result.

### Life and Pension

Life and Pension generated a pre-tax profit of DKK 34 million, which was a DKK 5 million year-on-year improvement. The profit was highly satisfactory and bet-

ter than expected driven by a strong performance of portfolios without bonus entitlement.

Total pension contributions amounted to DKK 467 million, marking an increase of 15% on the first quarter of 2016. This trend was driven mainly by payments into guaranteed schemes, which saw an increase in regular premiums of 5% and an increase in single payments of 33%.

The investment result remains satisfactory, which contributes to ensuring that Life and Pension can maintain a high and very competitive rate on policyholders' savings.

### Banking

The banking activities posted a pre-tax profit of DKK 16 million in Q1 2017, an improvement of DKK 2 million from DKK 14 million in Q1 2016. The performance was satisfactory and better than expected.

The performance was composed of a profit of DKK 18 million on forward-looking activities and a loss of DKK 2 million on winding-up activities.

#### *Forward-looking activities*

The bank's forward-looking activities generally experienced an increase in the level of activity. The number of Pluskunder grew by just over 10% year on year, and lending to the bank's private customers increased by 7% in the same period. Competition intensified, particularly in the market for new lending to private customers.

The portfolio of Totalkredit loans for which the bank has acted as intermediary continued to develop favourably and totalled DKK 7.7 billion at 31 March 2017, against DKK 6.6 billion a year earlier. In addition, Financial Markets and Leasing both reported customer inflows in Q1 2017.

The DKK 18 million profit on forward-looking activities was driven in particular by value adjustments of mortgage bonds in the bank's own portfolio as a result of a significant narrowing of the interest spread during the period.

#### *Winding-up activities*

The loss of DKK 2 million on winding-up activities was impacted by impairment writedowns of DKK 4 million during the period, while the profit before impairment writedowns declined from DKK 5 million to a profit of DKK 2 million, mainly as a result of reduced lending.

The total credit exposure of the winding-up portfolio declined by DKK 105 million to DKK 2,166 million in Q1 2017. Adjusted for losses and writedowns, loans and advances were reduced by DKK 50 million in line with expectations.

### Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The Q1 performance was a pre-tax loss of DKK 14 million, which was on a par with the same period of 2016.

### Group

- Consolidated revenue of DKK 2.0 billion
- Earnings per share of DKK 1.30
- Net asset value per share of DKK 32, corresponding to a price/NAV of 1.74
- Shareholders' equity of DKK 5.4 billion (DKK 5.2 billion at 31 December 2016)
- Average headcount for the group of 1,557 in Q1 2017 (Q1 2016: 1,520)

### CAPITALISATION

The distributable total capital of the group was DKK 4,870 million at 31 March 2017, corresponding to an excess of DKK 420 million relative to the group's capital target.

DKKm	Q1 2017	Year 2016
Total capital	4,870	4,584
Internal capital target of the group	4,450	4,428
Excess relative to internal capital target	420	156

The DKK 264 million greater excess relative to 31 December 2016 was predominantly attributable to the level of earnings in Q1 2017.

In the first quarter of 2017, Alm. Brand af 1792 fmba issued a subordinated loan of DKK 175 million to Alm. Brand A/S. This loan is not recognised in the distributable total capital of the group, as the implementation of IFRS 9 effective from 1 January 2018 must be expected to reduce the total capital. It is not possible at the present time to estimate the effect of this implementation.

The group's total capital for solvency coverage purposes was DKK 5,275 million at 31 March 2017, corresponding to an excess of DKK 3,135 million relative to the group's statutory capital requirement.

### ALM. BRAND FOR THE CUSTOMER

In connection with the release of the 2016 Annual Report, the group launched its new strategy for the period until 2022 – **Alm. Brand for the Customer**. The overall objective of the strategy is to create a whole new cus-

tommer experience based on Alm. Brand catering to all of the customers' financial needs as and when needed. We have also made it our pledge to continually offer our customers a top of the line solution. To achieve this objective, the group has launched a number of strategic initiatives, including efforts to build digital solutions and create unique customer experiences which are simple for the customer to get and use. As a consequence of the strategy objective, the aim is to grow customer satisfaction, as measured in terms of NPS, to 60 in the period until 2022. At 31 December 2016, the group's NPS was 42, and it improved to 46 in the course of the first quarter. All business areas reported improvement, and the score has improved by a total of 28 points since the group began measuring NPS in 2012.

### MAJOR EVENTS

#### Share buyback programme concluded

On 28 February 2017, Alm. Brand concluded the DKK 400 million share buyback programme. The principal shareholder, Alm. Brand af 1792 fmba, participated proportionately in the programme, thereby maintaining its ownership interest of close to 60%.

#### Subordinated loan raised

On 31 January 2017, the bank repaid the additional tier 1 capital of DKK 175 million, which was no longer eligible for inclusion in the bank's total capital. In that connection, the bank was delisted from Nasdaq Copenhagen A/S.

Alm. Brand Bank A/S instead raised an unlisted subordinated loan of DKK 175 million with Alm. Brand af 1792 fmba. The subordinated loan will have a 10-year maturity with an option for Alm. Brand Bank to terminate the loan after five years and will carry interest at CIBOR 6 plus the rate of 5.25% p.a.

### MAJOR EVENTS AFTER THE BALANCE SHEET DATE

#### Launch of share buyback programme

Immediately after obtaining approval from the Danish FSA, Alm. Brand on 24 April 2017 launched the DKK 300 million share buyback programme announced in connection with the release of the 2016 Annual Report. The programme runs until end-March 2018.

The principal shareholder, Alm. Brand af 1792 fmba, will be participating proportionately in the programme, thereby maintaining its current ownership interest.

#### Annual general meeting of Alm. Brand A/S

Alm. Brand held its annual general meeting on 26 April 2017. At the general meeting, the shareholders approved the proposed ordinary dividend of DKK 1.50 per share and extraordinary dividend of DKK 3.50 per share.

In addition, the shareholders resolved to reduce the company's share capital by 8,000,000 shares of DKK 10 each by cancellation of treasury shares. Following the reduction, the company's share capital amounts to DKK 1,655,000,000.

### Appointment of new Group CFO

Alm. Brand has appointed Rasmus Werner Nielsen as its new CFO. Mr. Nielsen will take up the position on 15 June 2017 and will in that connection also become a member of the group's senior management.

### OUTLOOK

The guidance for the FY2017 consolidated pre-tax profit is lifted by DKK 150 million to DKK 600-700 million.

DKKm	2017
<b>Forecast</b>	<b>600-700</b>
Forward-looking activities	600-700
Non-life	600
Life and Pension	75
Banking	25
Other activities	-60
Winding-up activities	0

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2017. 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.

### Non-life Insurance

The guidance for Non-life Insurance is lifted by DKK 125 million to a profit of about DKK 600 million before tax. This profit corresponds to a combined ratio of about 90

and an expense ratio of around 17 %. The growth forecast for the year is raised to around 2%.

### Life and Pension

The guidance for Life and Pension is lifted by DKK 5 million to a profit of about DKK 75 million before tax, supported by the strong performance of portfolios without bonus entitlement.

Regular premiums are expected to continue to increase at a rate of about 4 % in 2017.

### Banking

The guidance for the bank's forward-looking activities is maintained at a profit of DKK 25 million before tax.

Lending to private customers is expected to continue to grow at the rate of 6% in 2017.

### Other activities

The guidance for other business activities, comprising costs and interest related to the parent company, Alm. Brand A/S, is maintained at a loss of DKK 60 million before tax.

### Winding-up activities

The outlook for the winding-up activities is maintained at break even.

The guidance for the reduction of the bank's winding-up portfolio by around DKK 200 million in 2017 is maintained. However, developments in the agricultural sector remain subject to significant uncertainty, and a deterioration of conditions in the agricultural sector could have an adverse effect on the outlook.

#### Disclaimer

The forecast is based on the interest rate and price levels that prevailed at 30 April 2017. All other forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts. Such forward-looking statements are based on various assumptions and expectations which reflect the company's current views and assumptions, but which are inherently subject to significant risks and uncertainties, including matters beyond the company's control. Actual and future results and developments may differ materially from those contained or assumed in such statements. Matters which may affect the future development and results of the group as well as of the individual business areas include changes in economic conditions in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist 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	Q1 2017	Q1 2016	Year 2016
Gross premiums	1,267	1,245	5,028
Claims incurred	-806	-740	-3,034
Underwriting management expenses	-222	-200	-851
Profit from business ceded	-41	-79	-247
<b>Underwriting profit</b>	<b>198</b>	<b>226</b>	<b>896</b>
Interest and dividends etc.	49	58	217
Capital gains/losses	-5	37	22
Management expenses relating to investment business	-8	-10	-32
Interest on and value adjustment of technical provisions	2	-106	-136
<b>Investment return after return on and value adjustment of provisions</b>	<b>38</b>	<b>-21</b>	<b>71</b>
<b>Profit/loss before tax</b>	<b>236</b>	<b>205</b>	<b>967</b>
Tax	-49	-42	-204
<b>Profit/loss for the year</b>	<b>187</b>	<b>163</b>	<b>763</b>
Run-off gains/losses	126	82	446
Technical provisions	8,007	8,204	7,239
Insurance assets	237	256	170
Shareholders' equity	2,774	2,910	2,587
Total assets	11,431	12,062	10,808
Gross claims ratio	63.6	59.5	60.4
Net reinsurance ratio	3.2	6.4	4.9
<b>Claims trend</b>	<b>66.8</b>	<b>65.9</b>	<b>65.3</b>
Gross expense ratio	17.6	16.0	16.9
<b>Combined ratio</b>	<b>84.4</b>	<b>81.9</b>	<b>82.2</b>
Return on equity before tax p.a. (%)	35.3	28.9	38.6
Return on equity after tax p.a. (%)	27.9	23.0	30.5

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.

## Q1 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 236 million in Q1 2017 (Q1 2016: DKK 205 million), which was highly satisfactory and better than expected.

The technical result was DKK 198 million (Q1 2016: DKK 226 million), equivalent to a combined ratio of 84.4, which was better than expected.

The performance was lifted by an improved investment result, fewer expenses for weather-related claims and by run-off gains, but adversely affected by higher costs and an increase in expenses for small and major claims. Net of run-off gains, the combined ratio was 92.7 in Q1 2017, against an expected normal level of 91-92.

The underlying combined ratio was 83.1 in Q1 2017, which exceeded the expected target of about 81-82. The higher underlying combined ratio was due in part to greater-than-expected growth in lines in which a higher underlying claims ratio is expected, a poorer risk result on health and personal accident insurance and a higher level of expenses due to strategic initiatives.

	Q1 2017	Q1 2016	Year 2016
Combined Ratio, underlying business	83.1	79.4	79.9
Major claims	8.8	7.0	7.8
Weather-related claims	0.6	0.8	2.3
Reinstatement premiums	0.0	-0.4	-0.1
Run-off result, claims	-8.3	-4.9	-7.7
Change in risk margin, run-off result and current year	0.2	0.0	0.1
Combined Ratio	84.4	81.9	82.3

The investment return after transfer to insurance activities was a gain of DKK 38 million in Q1 2017, against a loss of DKK 21 million in Q1 2016.

## Premiums

Gross premiums totalled DKK 1,267 million in Q1 2017, against DKK 1,245 million in the same period of last year. Premiums grew by 1.8%, which was better than anticipated. The retention rate remained high and was seen to increase in both commercial and private lines.



### Claims experience

The claims experience for Q1 2017 was 66.8% (Q1 2016: 65.9%). Excluding run-off gains, the claims experience was 75.2% in Q1 2017 (Q1 2016: 71.1%). The claims experience was not as good as expected.

#### *Weather-related claims*

The winter was very mild and there were no windstorms in the first quarter. As a result, the number of weather-related claims was very low in the first three months of the year compared with expectations. Net of reinsurance, weather-related claims totalled DKK 8 million in Q1 2017 (Q1 2016: DKK 10 million). Weather-related claims affected the combined ratio by 0.6 of a percentage point, which was much better than the normal level of 3-4%.

#### *Major claims*

Net of reinsurance, major claims totalled DKK 111 million, which was DKK 24 million more than in the same period of 2016. The first quarter of 2017 saw slightly fewer major claims than expected, but claims expenses were affected in particular by two major fire claims. Major claims affected the combined ratio by 8.8 percentage points, which was slightly above the expected normal range of 7-8%.

#### *Underlying business*

The underlying claims ratio increased by 2.1 percentage points relative to the year-earlier period. The claims ratio was adversely affected by higher motor insurance sales than expected, this line being characterised by a higher underlying claims ratio, as well as by a poorer risk result on health and personal accident insurance and private contents insurance. The risk result is expected to equalise over the year.

#### *Run-off result*

The run-off result net of reinsurance was a gain of DKK 126 million (Q1 2016: DKK 82 million) and was attributable to personal accident and motor insurances in private lines and to workers' compensation and building insurances in commercial lines. Expenses for the windstorm "Urd", which hit Denmark on 26 December 2016, were subject to uncertainty at the turn of the year, but a downward adjustment of the expected claims expenses produced a small run-off gain in the first quarter. Of the total run-off result, the run-off result for the risk margin contributed a gain of DKK 20 million in Q1 2017, as compared with DKK 19 million in Q1 2016.

### Costs

Total costs amounted to DKK 222 million in Q1 2017, equivalent to an expense ratio of 17.6. Expenses were in line with expectations in Q1 2017, but higher than in

the same period of 2016. This was due partly to activities related to the new strategy and partly to an increase in sales and a new collective agreement with insurance agents resulting in higher acquisition costs.

### Net reinsurance ratio

The net reinsurance ratio was 3.2 in Q1 2017, against 6.4 in the same period of 2016. In the first quarter of 2017, reinsurance recoverables were received in respect of major claims incurred.

### Discounting

From Q1 2016 to Q1 2017, the yield curve used for discounting fell at a stable rate at the short end, from 0.36% to 0.12% p.a., while the 10-year yield fluctuated between 0.77% and 1.20%. Technical provisions are affected the most by the short-term yield due to the composition of expected premium payments and claims disbursements. Overall, interest developments increased the combined ratio by 0.6 of a percentage point in the first quarter.

### PRIVATE

The technical result was a profit of DKK 75 million in Q1 2017, which was DKK 69 million lower than in Q1 2016. The lower result was due to higher expenses for small claims, particularly on motor insurance. The combined ratio was 88.5, which was satisfactory compared with expectations.

Relative to expectations, the result was supported by lower expenses for both major claims and weather-related claims as well as by run-off gains, but adversely affected by higher expenses than anticipated for contents and personal accident insurances and for health and personal accident insurance.

Gross premium income was DKK 655 million in Q1 2017, for a year-on-year improvement of 2.0%, which was in line with expectations.

The growth in premium income was achieved in an extremely competitive market in which Alm. Brand generated higher-than-expected sales of new insurances in the first quarter. Moreover, the number of customers leaving Alm. Brand was slightly lower. Both improvements were seen to affect in particular the main private product lines (contents, personal accident and motor insurance).

The customer retention rate thus remained high, and the trend of an increase in the retention rate continued in the first quarter. This is a very positive development and should be seen against the backdrop of the customer loyalty initiatives implemented.

*Private*

	Q1	Q1	Year
DKKm	2017	2016	2016
Gross premiums	655	642	2,604
Claims incurred	-445	-370	-1,595
Underwriting management expenses	-124	-108	-479
Profit/loss from business ceded	-11	-20	-77
<b>Underwriting profit</b>	<b>75</b>	<b>144</b>	<b>453</b>
Run-off gains/losses	35	58	212
Gross claims ratio	67.8	57.6	61.3
Net reinsurance ratio	1.7	3.1	2.9
<b>Claims trend</b>	<b>69.5</b>	<b>60.7</b>	<b>64.2</b>
Gross expense ratio	19.0	16.9	18.4
<b>Combined Ratio</b>	<b>88.5</b>	<b>77.6</b>	<b>82.6</b>

The claims experience excluding run-off gains was 73.4% (Q1 2016: 68.4 %).

Weather-related claims totalled DKK 3 million net of reinsurance, which was on a par with Q1 2016, affecting the combined ratio by 0.5 of a percentage point. Expenses for weather-related claims were thus low in the first quarter of 2017.

Expenses for major claims were slightly lower than expected in the first three months of the year, but higher than in the same period of 2016. Claims expenses totalled DKK 19 million net of reinsurance (Q1 2016: DKK 13 million) and affected the combined ratio by 2.8 percentage points, against 2.0 percentage points in 2016.

Overall, weather-related and major claims affected the combined ratio by 3.3 percentage points in Q1 2017, against 2.5 percentage points in Q1 2016. In aggregate, weather-related and major claims were significantly better than expected for Private, supported in particular by the mild winter.

The underlying expense ratio was 70.0 in Q1 2017, against 66.0 in the year-earlier period. The higher claims ratio was mainly due to higher claims expenses for small motor insurance claims and to a poorer risk result on health and personal accident insurance.

Premium income had been expected to decline as a result of the new motor insurance product with lower basic premiums and several new covers. However, this decline in premiums failed to materialise, as customers to a greater extent opted to purchase additional covers instead of getting a lower premium. Accordingly, the higher claims expenses on motor insurance were due

to a higher number of claims, primarily from the up-selling of the new comprehensive motor insurance covers. The trend in the underlying claims ratio for motor insurance was slightly better than expected considering the portfolio changes made.

Health and personal accident insurance is a small portfolio, and in the first quarter of 2017 the risk result was affected by a higher-than-expected number of single claims.

Moreover, the underlying claims ratio for contents and personal accident insurances was slightly higher than expected in the first quarter.

Run-off gains amounted to DKK 35 million in Q1 2017 (Q1 2016: DKK 58 million). The run-off result was attributable to gains on personal accident insurance, liability and comprehensive motor insurance and risk margin run-offs, which contributed a gain of DKK 10 million. This was in line with Q1 2016.

The expense ratio increased by 2.1 percentage points to 19.0, while the net reinsurance ratio was 1.7 (Q1 2016: 3.1).

**COMMERCIAL**

The technical result was a profit of DKK 123 million in Q1 2017, against a profit of DKK 82 million in Q1 2016. The combined ratio was 79.9, which was highly satisfactory compared with expectations.

Relative to expectations, the result was favourably affected by unusually few weather-related claims and considerable run-off gains on both building insurance and personal insurance lines, but adversely affected by two significant major claims.

Gross premium income was DKK 612 million in Q1 2017, for an increase of DKK 9 million, or 1.5%, relative to the same period of last year.

The growth in premium income was achieved in an extremely competitive commercial market as a result of Alm. Brand generating higher-than-expected new policy sales. Moreover, the number of customers leaving Alm. Brand was slightly lower. Both improvements are seen throughout the portfolio.

The customer retention rate for commercial customers remained high, revealing a growing trend just as for the private customer retention rate.

*Commercial*

DKKm	Q1	Q1	Year
	2017	2016	2016
Gross premiums	612	603	2,424
Claims incurred	-361	-370	-1,439
Underwriting management expenses	-98	-92	-372
Profit/loss from business ceded	-30	-59	-170
<b>Underwriting profit</b>	<b>123</b>	<b>82</b>	<b>443</b>
Run-off gains/losses	91	24	234
Gross claims ratio	59.1	61.5	59.4
Net reinsurance ratio	4.7	9.7	6.9
<b>Claims trend</b>	<b>63.8</b>	<b>71.2</b>	<b>66.3</b>
Gross expense ratio	16.1	15.2	15.4
<b>Combined Ratio</b>	<b>79.9</b>	<b>86.4</b>	<b>81.7</b>

The claims experience excluding run-off gains was 77.2% (Q1 2016: 74.1%).

Weather-related claims totalled DKK 5 million net of reinsurance (Q1 2016: DKK 7 million), which affected the combined ratio by 0.8 of a percentage point, against 1.1 percentage points in 2016. Expenses for weather-related claims in Commercial were thus low in the first quarter of 2017.

Major claims totalled DKK 92 million net of reinsurance (Q1 2016: DKK 74 million) and impacted the combined ratio by 15.1 percentage points, against 12.3 percentage points in 2016. Overall, expenses for major claims were significantly higher than expected, while the number of major claims was slightly below the expected level. Claims expenses were affected in particular by two major fire claims.

Overall, weather-related and major claims affected the combined ratio by 15.9 percentage points in Q1 2017, against 13.4 percentage points in Q1 2016. Compared with the level expected for the year as a whole, weather-related and major claims were better than expected in the first quarter.

The underlying expense ratio was 60.7 in Q1 2017, against 60.5 in the year-earlier period.

The run-off result net of reinsurance produced a gain of DKK 91 million (Q1 2016: DKK 24 million). The run-off gains were mainly attributable to workers' compensation and building insurance and to risk margin run-offs, contributing a gain of DKK 10 million, against DKK 9 million in Q1 2016.

The expense ratio rose to 16.1 in Q1 2017 (Q1 2016: 15.2). The net reinsurance ratio was 4.7 in Q1 2017 (Q1 2016: 9.7). In the first quarter of 2017, coverage was recognised in respect of major claims incurred.

**INVESTMENT RESULT**

The investment result was a gain of DKK 38 million in Q1 2017, against a loss of DKK 21 million in the year-earlier period. The investment result was highly 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-low market risk relationship. The financial risk is adjusted using derivative financial instruments.

The Q1 investment return was lifted by a narrowing of the yield spread between mortgage bonds and swap rates during the quarter. The hedging of provisions made a positive contribution, supported by the weighting of mortgage bonds and corporate bonds and by the fact that Danish bond yields outperformed the equivalent euro yields. In Q1 2017, the investment return was also lifted by equity market developments, driven by increases in both the European and US markets.

Interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve plus a volatility adjustment (the "VA premium").

	Q1 2017		Q1 2016	
	Return	Pct.	Return	Pct.
<b>Investment return</b>				
DKKm				
Bonds etc.	31	0.4	101	1.0
Mortgage deeds etc.	3	0.2	0	0.0
Equities	10	5.0	-6	-3.2
Property	0	0.4	0	-0.9
<b>Total return on investments</b>	<b>44</b>	<b>0.4</b>	<b>95</b>	<b>0.8</b>
Administrative expenses	-8		-10	
Discounting of technical provisions	9		-91	
Interest on technical provision	-7		-15	
<b>Investment return after interest on provisions</b>	<b>38</b>		<b>-21</b>	

## CAPITALISATION

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 1,080 million at 31 March 2017, against DKK 1,051 million at 31 December 2016.

The eligible total capital to cover the solvency capital requirement was DKK 3,170 million at 31 March 2017, providing an excess relative to the solvency capital requirement of DKK 2,090 million.

At 31 March 2017, shareholders' equity allocated to Non-life Insurance was DKK 2.8 billion.

## MAJOR EVENTS

### Agreement to acquire insurance portfolio from Trafik G/S

At the beginning of April 2017, Alm. Brand entered into an agreement with the board of directors of the insurance company Trafik G/S to acquire that company's activities. The portfolio has expected total gross premiums of just over DKK 40 million in 2017 and comprises insurance policies for close to 3,000 vehicles.

The agreement generally comprises the forward-looking activities, all insurance obligations and the employees of Trafik G/S. The acquisition was approved by the shareholders of Trafik G/S on 26 April 2017 and is subject to approval by the Danish FSA.

Alm. Brand already has an excellent collaboration with Trafik G/S, under which Alm. Brand offers both workers' compensation and professional liability insurance to Trafik's customers.

### New house insurance product

In March, Alm. Brand launched a new house insurance

product, which makes it possible for customers to tailor their insurance specifically to their needs using different covers.

The new house insurance is based on different modules in the same transparent way as Alm. Brand's motor insurance products. This means that each individual customer may select specifically what he or she wishes to insure and which covers he or she does not want to spend money on.

These optional covers comprise two new covers, which are unique to the market: A cover making it possible to insure gardens and a cover providing insurance against ordinary windy weather, a novelty compared with previously when insurance could only be taken out against proper windstorms.

## MAJOR EVENTS AFTER THE BALANCE SHEET DATE

### New cyber risk insurance

At the beginning of May 2017, Alm. Brand launched a completely new product, cyber insurance. The product has been developed in collaboration with specialists in the international reinsurance market in order to ensure that Alm. Brand offers the right cyber risk product targeted at a commercial customer portfolio of small and medium-sized enterprises.

### New pregnancy insurance – Baby on the way

As the first company in Denmark, Alm. Brand also launched a new pregnancy insurance at the beginning of May 2017, which covers pregnancy from the 23rd week of pregnancy until the baby is six months old. The insurance is a supplement to public benefits and covers, among other things, extended hospitalisation and congenital disorders in the new-born.

# Life and Pension

DKKm	Q1 2017	Q1 2016	Year 2016
Premiums	398	338	1,281
Investment return after allocation of interest	163	245	697
Claims incurred	-278	-289	-970
Total underwriting management expenses	-26	-22	-101
Profit/loss from business ceded	-1	-1	-4
Change in life insurance provisions	-219	-203	-799
Change in profit margin	-5	-42	-27
Government Tax on unallocated funds	0	0	0
<b>Underwriting profit/loss</b>	<b>32</b>	<b>26</b>	<b>77</b>
Return on investments allocated to equity	2	3	7
<b>Profit/loss before tax</b>	<b>34</b>	<b>29</b>	<b>84</b>
Tax	-8	-7	-10
<b>Profit/loss after tax</b>	<b>26</b>	<b>22</b>	<b>74</b>
<b>Return requirement for shareholders' equity</b>			
Return on investments allocated to equity	2	3	7
Result of portfolios without bonus entitlement	12	0	1
Group life	2	1	8
Interest result	6	5	21
Expense result	-5	-1	-16
Risk result	17	21	63
Transferred to/from the shadow account	0	0	0
<b>Profit/loss before tax</b>	<b>34</b>	<b>29</b>	<b>84</b>
Total technical provisions	13,082	12,260	12,853
Shareholders' equity	875	872	848
Total assets	14,153	14,121	14,394
Return on equity before tax p.a. (%)	15.8	13.8	10.1
Return on equity after tax p.a. (%)	12.3	10.7	8.9
Bonus rate (%)	21.4	16.3	20.1

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.

## Investment return on policyholders funds in Life and Pension Q1 2017

	Return ratio in % (YTD)
Interest-bearing assets	0.6
Shares	6.2
Property	1.0
<b>Total</b>	<b>1.5</b>

## Q1 PERFORMANCE

Life and Pension reported a pre-tax profit of DKK 34 million in Q1 2017 (Q1 2016: DKK 29 million). The performance was highly satisfactory.

The profit was composed as follows:

- Expense and risk result of DKK 12 million
- Interest rate result of DKK 6 million
- Profit of DKK 2 million from the group life in insurance business
- Profit of DKK 12 million from life annuities without bonus entitlement
- Return on investment allocated to equity of DKK 2 million.

At 31 March 2017, the bonus rate was 21.4%, up by 1.3 percentage points since 31 December 2016. The bonus rate was highly satisfactory, ensuring that Life and Pension can continue to offer high and competitive rates on policyholders' savings.

Under normal circumstances, life annuities without bonus entitlement would produce a result of about DKK 0 million. Accordingly, the DKK 12 million profit reported in Q1 was an extraordinarily strong performance, which was due to the cessation of a number of large life annuities.

## Pension contributions

### *Payments into guaranteed schemes*

In Q1 2017, premiums totalled DKK 398 million (Q1 2016: DKK 338 million), up 17.8% year on year.

This figure covers an increase in regular premiums of 5.4 % and an increase in single payments of 33 %.

The development in premiums was satisfactory and fully in line with Life and Pension's growth ambitions.

### *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 69 million in Q1 2017, which was a marginal increase of 1.0% from DKK 68 million in the same period of last year. The performance was not satisfactory.

### *Total pension contributions*

Total payments into pension schemes, including investment schemes through the bank, amounted to DKK 467 million in Q1 2017, which was an increase of 15 % relative to Q1 2016.

## Benefits paid

Total benefits paid amounted to DKK 278 million in Q1 2017, compared with DKK 289 million in the same period of 2016.

### *Risk result*

Net of reinsurance, the risk result, which expresses the difference between premiums charged and actual claims expenses, was an income of DKK 17 million in Q1 2017, which was DKK 4 million below the extraordinarily high level reported in Q1 2016. The performance was highly satisfactory and among the best in the industry.

## Costs

Acquisition and administrative expenses totalled DKK 26 million in Q1 2017, against DKK 22 million in Q1 2016. The level was in line with expectations and was due to investments in digitalisation and growth.

### *Expense result*

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was negative at DKK 5 million. The expense result was slightly lower than in Q1 2016 due to the above-mentioned investments in digitalisation and growth. The expense result should also be seen in light of the fact that Alm. Brand Liv og Pension has one of the market's lowest expense contributions on average rate products.

## Investment return on policyholders' funds

The return on investment assets belonging to policyholders was DKK 205 million for Q1 2017, corresponding to a return of 1.5 % (6.2 % p.a.), against a return of DKK 317 million in Q1 2016. Total investment assets, which amounted to DKK 13.2 billion at 31 March 2017, are placed in bonds, equities and property.

The Q1 return, calculated before tax on pension returns but after investment costs, was supported by equity market developments, but adversely affected by moderate interest rate increases resulting in capital losses on bonds.

The return on policyholders' investment assets was highly satisfactory in respect of both equities and bonds. The Q1 investment return was lifted by equity market developments, driven by increases in both the European and US markets. Moreover, the first months of 2017 saw a significant narrowing of the yield spread between mortgage bonds and swap rates, which had a positive effect on the return.

	Share	Return Q1	Return p.a.
Bonds	72%	0.6%	2.4%
Equities	16%	6.2%	24.8%
Properties	12%	1.0%	4.0%
Total	100%	1.5%	6.2%

### *Risk result*

Financial instruments used for partial hedging of insurance liabilities detracted from the return due to the rising level of interest rates.

## Life insurance provisions

Total life insurance provisions increased by DKK 219 million to an aggregate of DKK 12.7 billion in Q1 2017. The increase was partly attributable to the strong investment return, which increased the bonus potential, and partly to a fair net inflow of pension funds during the period.

## Profit margin

The Q1 profit margin grew by DKK 5 million to DKK 369 million. This increase was driven by the company's growth.

At industry level, discussions with the Danish FSA about the assumptions for calculating the financial ratio profit margin are still ongoing. Life and Pension does not expect the final outcome of these discussions to have any material impact on the company's capitalisation, which is very strong.

**Bonus rate**

The total bonus rate was 21.4% at 31 March 2017, marking an increase of 1.3 percentage points relative to 31 December 2016. The bonus rate remains highly satisfactory.

New policyholders are placed in interest rate group 0, which had a bonus rate of 24.6% at 31 March 2017.

In interest rate groups 2 and 3, which comprise customers with the highest guarantee rates, the bonus rate was just over 13% in Q1 2017, which was highly satisfactory.

These groups continue to pursue a prudent investment strategy based on having a substantial share of bonds and financial instruments with a view to striking a healthy balance between the group's investments and liabilities.

The table below shows the current rates on policyholders' savings, bonus rates, returns 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	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	7.7	1.3	1.3	2.8	13.2
Bonus rate (%)		24.6	22.6	13.3	13.2	21.4
Return (% YTD converted to p.a.)		8.4	3.5	4.7	3.0	6.2
Bonds	100%	63%	64%	78%	83%	70%
Equities	0%	23%	21%	8%	3%	16%
Properties	0%	14%	13%	11%	9%	12%
Interest rate derivatives	0%	0%	2%	3%	5%	2%

\*Portfolios without bonus entitlement

**CAPITALISATION**

The solvency capital requirement of Alm. Brand Liv og Pension A/S was DKK 144 million at 31 March 2017, against DKK 137 million at 31 December 2016.

The eligible total capital to cover the solvency capital requirement was DKK 1,246 million at 31 March 2017,

providing an excess relative to the solvency capital requirement of DKK 1,002 million. The company's solvency capital requirement is very low due to the large bonus potentials at 31 March 2017.

Equity allocated to life insurance was DKK 875 million at 31 March 2017.

# Banking

DKK m	GROUP		
	Q1 2017	Q1 2016	Year 2016
<b>FORWARD-LOOKING ACTIVITIES:</b>			
Net interest and fee income, Private	53	57	208
Trading income (excl. value adjustments)	31	36	144
Other income	63	51	218
<b>Total income</b>	<b>147</b>	<b>144</b>	<b>570</b>
Expenses	-101	-88	-367
Amortisation	-45	-35	-153
<b>Core earnings</b>	<b>1</b>	<b>21</b>	<b>50</b>
Value adjustments	16	-14	6
Profit/loss from investments	0	0	0
<b>Profit/loss before impairment writedowns</b>	<b>17</b>	<b>7</b>	<b>56</b>
Writedowns	1	1	6
<b>Profit/loss before tax, forward-looking activities</b>	<b>18</b>	<b>8</b>	<b>62</b>
<b>WINDING-UP ACTIVITIES:</b>			
Loss before impairment writedowns	2	5	38
Writedowns	-4	1	-56
<b>Loss before tax, winding-up activities</b>	<b>-2</b>	<b>6</b>	<b>-18</b>
<b>Total profit/loss before tax and minority interests</b>	<b>16</b>	<b>14</b>	<b>44</b>
Tax	-4	-3	-8
<b>Consolidated profit/loss after tax</b>	<b>12</b>	<b>11</b>	<b>36</b>
Loans and advances, forward-looking activities	3,038	2,923	2,835
Loans and advances, winding-up activities	899	1,184	942
Deposits	7,354	7,364	7,189
Shareholders'	1,533	1,506	1,521
Balance	9,604	9,808	9,699
Interest margin (%)	2.5	2.4	2.5
Income/cost ratio	1.10	1.10	1.07
Impairment ratio	-0.1	-0.1	0.4
Solvency ratio (%)	21.3	17.9	18.1
Return on equity	4.3	3.7	2.9
Return on equity after tax (%)	3.1	3.0	2.4

## Q1 PERFORMANCE

The banking activities posted a pre-tax profit of DKK 16 million in Q1 2017, an improvement of DKK 2 million from DKK 14 million in Q1 2016. The performance was satisfactory and better than expected.

The performance was composed of a profit of DKK 18 million on forward-looking activities and a loss of DKK 2 million on winding-up activities.

The bank's total impairment writedowns amounted to DKK 3 million in Q1 2017, which was in line with expectations.

The interest margin for the banking group was 2.5 % in Q1 2017, against 2.4 % in Q1 2016, being favourably affected by the bank's lower funding costs.

## FORWARD-LOOKING ACTIVITIES

The forward-looking activities produced a pre-tax profit of DKK 18 million in Q1 2017 (Q1 2016: DKK 8 million profit).

The performance was significantly better than expected, primarily as a result of positive value adjustments in the first quarter from a narrowing of the interest spread between mortgage bonds and swap rates, which had a favourable effect on the return on the bank's own portfolio.

Core earnings amounted to a profit of DKK 1 million in Q1 2017 (Q1 2016: DKK 21 million). This was partly due to the fact that a part of the trading income was realised as capital gains and therefore not included in core earnings. In addition, the quarter was affected by higher costs, mainly due to investments in the new strategy.



The bank's forward-looking activities generally experienced an increase in the level of activity. The number of Pluskunder grew by just over 10% year on year, and lending to the bank's private customers increased by 7% in the same period. The portfolio of Totalkredit loans for which the bank has acted as intermediary continued to develop favourably and totalled DKK 7.7 billion at 31 March 2017, against DKK 6.6 billion a year earlier. Leasing recorded year-on-year growth of 28%, and Financial Markets reported an inflow of new customers during the period.

### Income

The bank's income from forward-looking activities amounted to DKK 147 million in Q1 2017, against DKK 144 million in Q1 2016.

Net interest and fee income from the bank's private customers amounted to DKK 53 million in Q1 2017. This year-on-year decline of DKK 4 million was primarily due to lower income from investment certificates. In addition, competition for private customers intensified.

Trading income excluding value adjustments was DKK 31 million in Q1 2017, against DKK 36 million in Q1 2016. The decline was related to, among other things, lower interest income due to the reduction of the bank's own portfolio and lower coupon interest as well as to the fact that a part of the trading income was realised as capital gains.

Other income, which primarily covers leasing activities, amounted to DKK 63 million, up DKK 12 million on Q1 2016. This increase was driven by growth in the leasing portfolio.

### Costs

Costs amounted to DKK 101 million in Q1 2017, which was DKK 13 million more than in Q1 2016. The higher level of costs was due to growth and increased costs related to the new strategy.

### Value adjustments

Value adjustments produced a capital gain of DKK 16 million in Q1 2017, against a capital loss of DKK 14 million in the same period of 2016.

Interest-related value adjustments produced a gain of DKK 9 million in Q1 2017, against a loss of DKK 19 million in Q1 2016. The capital gain was attributable to the bank's bond portfolio, which consists primarily of mortgage bonds. Conditions were favourable in the first three months of the year as the yield spread between mortgage bonds and swap rates narrowed, which had a positive effect on the return. As a result, the bank's

bond portfolio yielded a return of 2.5 % p.a. in Q1 2017 (Q1 2016: 0.0% p.a.). The bond return was highly satisfactory.

Equity-related value adjustments produced a gain of DKK 3 million in Q1 2017, against a gain of DKK 2 million in Q1 2016.

Currency-related value adjustments produced a gain of DKK 4 million in Q1 2017, against a gain of DKK 3 million in Q1 2016.

### Impairment writedowns

Impairment writedowns in the bank's forward-looking activities amounted to a reversal of DKK 1 million in Q1 2017, which was on a par with Q1 2016.

### Business activities

#### Private

The bank incurred a pre-tax loss of DKK 5 million in Q1 2017, down from a profit of DKK 7 million in Q1 2016. The decline was primarily due to lower income from investment certificates. Moreover, net interest and fee income has come under increased pressure due to mounting competition. The higher level of costs relative to the first quarter of 2016 was primarily due to growth and investments in the new strategy.

#### Private

DKK m	Q1 2017	Q1 2016
Income	53	57
Expenses	-60	-51
<b>Profit/loss before impairment writedowns</b>	<b>-7</b>	<b>6</b>
Impairment writedowns	2	1
<b>Profit/loss before tax</b>	<b>-5</b>	<b>7</b>

The DKK 2 million reversal of impairment writedowns in the first quarter was the result of payments made on exposures previously written off. Adjusted for payments made on exposures previously written off, the impairment ratio was 0.7% p.a. The level of impairment writedowns was in line with expectations.

In the first quarter of 2017, the bank experienced an inflow of new customers and an increase in the number of Pluskunder, continuing the positive trend from 2016. Lending to private customers increased by DKK 70 million in Q1 2017 and by DKK 190 million year on year.

The positive trend from 2016 also continued in the portfolio of Totalkredit loans for which the bank has acted as intermediary. The portfolio grew by DKK 0.3 billion, or 4 %, to DKK 7.7 billion in Q1 2017 and by DKK 1.1 billion year on year.

*Financial Markets*

The Financial Markets division generated pre-tax profit of DKK 16 million in Q1 2017, against DKK 19 million in Q1 2016. The performance was impacted by costs related to the implementation of the new strategy and collective impairment charges on investment credits.

*Financial markets*

DKKm	Q1 2017	Q1 2016
Income	35	38
Expenses	-25	-24
<b>Core earnings</b>	<b>10</b>	<b>14</b>
Value adjustments	7	5
<b>Profit/loss before impairment writedowns</b>	<b>17</b>	<b>19</b>
Impairment writedowns	-1	0
<b>Profit/loss before tax</b>	<b>16</b>	<b>19</b>

In the first quarter of 2017, Financial Markets saw an increase in the number of customers and in assets under management.

IndexPlus, an investment product where the bank composes an investment portfolio of index funds (ETFs) based on the investor's investment profile, was launched in autumn 2016. The product was very well received in the market, and sales activity has thus exceeded expectations.

*Leasing*

The leasing activities posted a pre-tax profit of DKK 6 million in Q1 2017, which was in line with Q1 2016. Income was up by DKK 11 million relative to Q1 2016, driven by strong growth in the portfolio of leased vehicles, while depreciation and amortisation charges increased by DKK 10 million. Costs, comprising investments for the new strategy, were DKK 1 million higher than in the same period of last year.

*Leasing*

DKKm	Q1 2017	Q1 2016
Income	62	51
Expenses	-11	-10
Depreciation and amortisation	-45	-35
<b>Profit/loss before tax</b>	<b>6</b>	<b>6</b>

Leasing had its best quarter to date in Q1 2017, and the portfolio grew by DKK 52 million, compared with an increase of DKK 25 million in Q1 2016.

The leasing portfolio comprised leased assets of DKK 870 million at 31 March 2017, against DKK 680 million at the year-earlier date, equivalent to an increase of 28%.

*Other activities*

Other business activities, consisting primarily of the Treasury department, reported a pre-tax profit of DKK 1 million in Q1 2017, compared with a loss of DKK 24 million in Q1 2016.

*Other activities*

DKKm	Q1 2017	Q1 2016
Income	-3	-2
Expenses	-5	-3
<b>Core earnings</b>	<b>-8</b>	<b>-5</b>
Value adjustments	9	-19
<b>Profit/loss before tax</b>	<b>1</b>	<b>-24</b>

The Q1 results were lifted by bond return of DKK 11 million on the bank's own portfolio placed in the Treasury department, for a better-than-expected performance, among other things due to a narrowing of the yield spread between mortgage bonds and swap rates.

**WINDING-UP ACTIVITIES**

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

The performance was a loss of DKK 2 million in Q1 2017, against a profit of DKK 6 million in Q1 2016. Impairment writedowns amounted to DKK 4 million in Q1 2017, against a DKK 1 million reversal in Q1 2016.

The profit before impairment writedowns was DKK 2 million in Q1 2017, down DKK 3 million year on year. This decline was mainly due to reduced lending.

The total credit exposure of the winding-up portfolio declined by DKK 105 million to DKK 2,166 million in Q1 2017. Adjusted for losses and writedowns, loans and

DKKm	Credit exposure after writedowns			Losses and writedowns		
	Year 2016	31 mar. 2017	Share of portfolio in %	Year 2016	Q1 2017	Impairment in % <sup>a)</sup>
Agriculture	204	199	22	45	0	0
Commercial properties	544	522	58	-15	-5	-1
Mortgage deeds	194	179	20	-18	-3	-2
<b>Total loans and advances</b>	<b>942</b>	<b>900</b>	<b>100</b>	<b>12</b>	<b>-8</b>	<b>-1</b>
Mortgage deeds option agreement <sup>b)</sup>	1,329	1,266		44	12	1
<b>Winding-up activities</b>	<b>2,271</b>	<b>2,166</b>		<b>56</b>	<b>4</b>	<b>0</b>

a) Losses and write-downs as a percentage of the average portfolio in Q1 2017. 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

advances were reduced by DKK 50 million in line with expectations.

The bank's winding-up activities were favourably affected by improved settlement prices for agriculture as well as by interest income from mortgage deeds. Moreover, the first quarter benefited from proceeds on the sale of properties temporarily acquired.

### **Agriculture**

The agricultural portfolio amounted to DKK 199 million at 31 March 2017. Adjusted for impairment writedowns, the portfolio was reduced by DKK 5 million as a result of the winding up of exposures.

Impairment writedowns amounted to DKK 0 million in Q1 2017 (Q1 2016: DKK 9 million), which was better than expected. The lower level of impairment writedowns is a reflection of improved settlement prices for agriculture.

The settlement prices for agriculture continued the favourable developments from the fourth quarter of 2016, and particularly piglet farmers are getting better prices.

### **Commercial properties**

Impairment writedowns of DKK 5 million were reversed on the portfolio in Q1 2017.

The total portfolio amounted to DKK 522 million at 31 March 2017. Adjusted for impairment writedowns, the portfolio was reduced by DKK 27 million in Q1 2017. The reduction was related to the winding up of a single exposure of DKK 10 million, while the remaining amount was derived from small exposures.

### **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 mortgage deeds in arrears.

Amounting to DKK 179 million at 31 March 2017, the own portfolio was reduced by DKK 18 million in Q1 2017 adjusted for losses and writedowns. Reversals of impairment writedowns on the own portfolio amounted to DKK 3 million in Q1 2017.

The credit exposure through the option agreement on mortgage deeds amounted to DKK 1,266 million at 31 March 2017. Credit-related capital losses on the option agreement amounted to DKK 12 million in Q1 2017, which was in line with expectations.

## **BALANCE SHEET**

### **Loans and advances**

The bank's loans and advances totalled DKK 3.9 billion at 31 March 2017, against DKK 3.8 billion at 31 December 2016, corresponding to an increase of DKK 0.1 billion.

Excluding intra-group lending, loans and advances increased by DKK 70 million for the forward-looking activities in Q1 2017, while loans and advances in the winding-up portfolio declined by DKK 42 million.

### **Deposits**

The bank had deposits of DKK 7.4 billion at 31 March 2017, against DKK 7.2 billion at 31 December 2016. This increase was driven by deposits from new customers, among other things.

At 31 March 2017, floating-rate deposits represented 91% of total deposits, against 90% at 31 December 2016.

### **Liquidity**

At 31 March 2017, the bank had cash funds of DKK 3.5 billion and excess liquidity of DKK 2.4 billion, equivalent to an excess cover of 238% relative to the statutory requirement and a liquidity coverage ratio (LCR) of 366%.

The excess at 31 March 2017 was on a par with the level reported at 31 December 2016.

### **Capitalisation**

The bank's equity stood at DKK 1.5 billion at 31 March 2017. The total capital amounted to DKK 1.6 billion, and the total risk exposure amount was DKK 7.0 billion at 31 March 2017.

Accordingly, the solvency ratio was 22.6, and the tier 1 capital ratio was 20.1. The bank's individual solvency need was calculated at 12.2%, which means that the total capital ratio exceeded the individual solvency need by 10.4 percentage points.

The total capital of the banking group amounted to DKK 1.6 billion, and the total risk exposure amount was DKK 7.4 billion at 31 March 2017.

Accordingly, the banking group had a solvency ratio of 21.3, and a tier 1 capital ratio of 18.9. The banking group's individual solvency need was calculated at 12.5%, which means that the total capital ratio exceeded the individual solvency need by 8.8 percentage points.

### *Capital reservation for credit risk*

The banking group's total capital reservation for credit risk amounted to DKK 2,416 million at 31 March 2017,

against DKK 2,535 million at 31 December 2016. The capital reservation equalled 35% of the credit exposure, which was on a par with the level prevailing at 31 December 2016.

The capital reservation for the forward-looking portfolio represented 21% of gross loans and advances, and the capital reservation for the winding-up portfolio represented 48 % of the credit exposure.

At 31 March 2017, accumulated impairment writedowns amounted to DKK 1,767 million, against DKK 1,859 million at 31 December 2016. Accumulated impairment writedowns broke down as follows at 31 March 2017: DKK 302 million on the forward-looking portfolio and DKK 1,465 million on the winding-up portfolio, DKK 597 million of which was attributable to fair value adjustment of mortgage deeds.

#### Capital reservation for credit risk

DKKm	31.03.2017						31.12.2016	
	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	2,851	3,153	302	367	669	21%	660	21%
Winding-up portfolio	900	3,630	1,465	274	1,739	48%	1,861	49%
<b>Total - excl. reverse transactions</b>	<b>3,751</b>	<b>6,783</b>	<b>1,767</b>	<b>641</b>	<b>2,408</b>	<b>36%</b>	<b>2,521</b>	<b>36%</b>
Reverse transactions including intercompany transactions	187	187	-	8	8	4%	14	26%
<b>Total group</b>	<b>3,938</b>	<b>6,970</b>	<b>1,767</b>	<b>649</b>	<b>2,416</b>	<b>35%</b>	<b>2,535</b>	<b>36%</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 31 March 2017, 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.



# 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 31. March 2017.

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.

**MANAGEMENT BOARD**  
Copenhagen, 18 May 2017

*Søren Boe Mortensen*  
Chief Executive Officer

**BOARD OF DIRECTORS**  
Copenhagen, 18 May 2017

*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*

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 31 March 2017 and of the group’s cash flows for the three months ended 31 March 2017.

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.

## Balance sheet

DKKm	<b>Group</b>		
	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>Year 2016</b>
<b>Assets</b>			
Owner-occupied properties	698	675	698
Deferred tax assets	178	380	217
Participating interests in joint ventures	0	12	0
Reinsurers' share of insurance contracts	250	270	183
Current tax assets	0	5	10
Other assets	2,220	2,458	1,612
Loans	5,204	5,655	5,106
Investment properties	904	951	905
Investment assets	25,342	25,085	25,205
Amounts due from credit institutions and central banks	742	377	705
Cash in hand and demand deposits	213	45	218
<b>Total assets</b>	<b>35,751</b>	<b>35,913</b>	<b>34,859</b>
<b>Liabilities and equity</b>			
Share capital	1,735	1,735	1,735
Reserves, retained profit etc.	2,794	3,020	2,634
Proposed dividend	831	521	831
<b>Consolidated shareholders' equity</b>	<b>5,360</b>	<b>5,276</b>	<b>5,200</b>
Subordinated debt	574	574	574
Provisions for insurance contracts	21,089	20,464	20,092
Other provisions	30	34	31
Current tax liabilities	6	0	0
Other liabilities	1,071	1,422	1,315
Deposits	7,077	7,187	6,953
Payables to credit institutions and central banks	544	956	694
<b>Total liabilities and equity</b>	<b>35,751</b>	<b>35,913</b>	<b>34,859</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	<b>Group</b>		
	Q1 2017	Q1 2016	Year 2016
<b>Income</b>			
Premium income	1,665	1,583	6,309
Interest income etc.	216	214	819
Fee income etc.	36	39	134
Other income from investment activities	1	-2	4
Income associates	0	0	5
Other income	63	54	223
<b>Total income</b>	<b>1,981</b>	<b>1,888</b>	<b>7,494</b>
<b>Costs</b>			
Claims incurred	-1,084	-1,029	-4,004
Interest expenses	-25	-39	-128
Other cost from investment activities	-18	-21	-77
Impairment of loans, advances and receivables, etc.	6	5	-23
Acquisition and administrative costs	-396	-346	-1,475
<b>Total costs</b>	<b>-1,517</b>	<b>-1,430</b>	<b>-5,707</b>
Profit from business ceded	-42	-80	-251
Change in life insurance provisions	-219	-203	-790
Change in profit margin, Life and Pension	-5	-42	-27
Change in collective bonus potential	0	0	0
Exchange rate adjustments	105	141	434
Tax on pension investment returns	-31	-40	-120
<b>Profit/loss before tax</b>	<b>272</b>	<b>234</b>	<b>1,033</b>
Tax	-58	-49	-207
<b>Profit/loss after tax</b>	<b>214</b>	<b>185</b>	<b>826</b>
Earnings per share, DKK	1.3	1.1	5.0
Diluted earnings per share, DKK	1.3	1.1	4.9
<b>Comprehensive income</b>			
Profit for the period	214	185	826
<i>Items that may be recycled to profit or loss</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Items that may not be recycled to profit or loss:</i>	<i>0</i>	<i>0</i>	<i>0</i>
Revaluation of owner-occupied properties	0	0	9
Transferred to collective bonus potential	0	0	-9
Tax on other comprehensive income	0	0	0
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>	<b>214</b>	<b>185</b>	<b>826</b>
<b>Proposed allocation of profit/loss:</b>			
Share attributable to Alm. Brand	214	185	826
<b>Comprehensive income</b>	<b>214</b>	<b>185</b>	<b>826</b>

## Statement of changes in equity

DKK m	Share capital	Contin- gency funds	Other provi- sions	Retained profit	Proposed dividend	Consoli- dated equity
<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				5		5
<b>Adjusted shareholders' equity at 1 January 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,517</b>	<b>521</b>	<b>5,170</b>
<b>Changes in equity Q1 2016:</b>						
Profit/loss for the period				185		185
Total income	0	0	0	185	0	185
Share option scheme, issuance				1		1
Share option scheme, exercise				13		13
Purchase and sale of treasury shares				-93		-93
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>106</b>	<b>0</b>	<b>106</b>
<b>Shareholders equity, 31 March 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,622</b>	<b>521</b>	<b>5,276</b>
<b>Adjusted shareholders' equity at 1 January 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,517</b>	<b>87</b>	<b>5,170</b>
<b>Changes in equity 2016:</b>						
Profit/loss for the year				826	0	826
Revaluation of owner-occupied properties				9		9
Transferred to collective bonus potential				-9		-9
Total income	0	0	0	826	0	826
Proposed dividend				-831	831	0
Dividend distributed				21	-521	-500
Share option scheme, issuance				1		1
Share option scheme, exercise				34		34
Purchase and sale of treasury shares				-321		-321
Capital movements in subsidiaries				-10		-10
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-280</b>	<b>310</b>	<b>30</b>
<b>Shareholders equity, 31 December 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,237</b>	<b>831</b>	<b>5,200</b>
<b>Shareholders equity, 1 January 2017</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,237</b>	<b>831</b>	<b>5,200</b>
<b>Changes in equity Q1 2017:</b>						
Profit/loss for the period				214		214
Total income	0	0	0	214	0	214
Share option scheme, exercise				10		10
Purchase and sale of treasury shares				-64		-64
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>160</b>
<b>Shareholders equity, 31 March 2017</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,397</b>	<b>831</b>	<b>5,360</b>



## Capital target

<b>DKKm</b>	<b>Distributable total capital 31 March 2017</b>
Equity	5,360
Proposed distribution	-1,113
Tax asset	-154
Profit margin, Non-life Insurance	150
Profit and risk margin, Life and Pension	228
Tier 2 capital	399
<b>Distributable total capital of the group</b>	<b>4,870</b>
	<b>Capital target 31 March 2017</b>
<b>DKKm</b>	
Non-life insurance (40% of gross premium income)	2,055
Life and Pension (8% of life insurance provisions)	1,014
Banking (19% of risk weighted assets)	1,399
Alm. Brand A/S buffer, winding-up portfolio (13% of net lending)	282
Diversification effects	-300
<b>Consolidated capital target</b>	<b>4,450</b>
<b>Excess relative to internal capital target</b>	<b>420</b>

## Cash flow statement

DKKm	Group		
	Q1 2017	Q1 2016	Year 2016
<b>Cash flows from operating activities</b>			
Premiums received	2,389	6,177	6,177
Claims paid	-1,123	-4,136	-4,136
Interest receivable, dividends, etc.	242	778	778
Interest payable	-6	-38	-38
Payments concerning reinsurance	-110	-220	-220
Fee income received	42	140	140
Fee income paid	-6	-6	-6
Expences paid	-618	-1,426	-1,426
Tax on pension investment returns paid	-74	-67	-67
Other ordinary income received	64	223	223
Taxes paid/received	-3	-43	-43
<b>Cash flows from operating activities</b>	<b>797</b>	<b>1,382</b>	<b>1,382</b>
<b>Change in investment placement</b>			
Acquisition of intangible assets, furniture, equipment, etc.	-52	-160	-160
Properties acquired or converted	1	104	104
Sale/aquisition of equity investments	56	-396	-396
Sale/repayment of mortgage deeds and loans	-110	497	497
Sale/aquisition of bonds	-581	717	717
<b>Change in investment placement (net)</b>	<b>-686</b>	<b>762</b>	<b>762</b>
<b>Change in financing</b>			
Sale/purchase of treasury shares	-54	-285	-287
Dividend distributed	0	-521	-521
Subordinated debt	0	0	0
Share issue	0	1	1
Change in issued bonds	0	-5	-5
Change in deposits	124	-1,046	-1,046
Change in payables to credit institutions	-150	-17	-17
Change in other liabilities	-1	-3	-3
<b>Change in financing</b>	<b>-81</b>	<b>-1,876</b>	<b>-1,878</b>
<b>Net change in cash and cash equivalents</b>	<b>30</b>	<b>268</b>	<b>266</b>
Cash and cash equivalents, beginning of period	923	636	636
<b>Cash and cash equivalents, end of period</b>	<b>953</b>	<b>904</b>	<b>902</b>

## Segment reporting

DKKm						Q1 2017	
	Non-life	Life	Bank	Other	Elimi- nation	Group	
Premium income	1,267	398	0	0		1,665	
Interest income etc.	58	102	55	2	-1	216	
Fee income etc.	0	0	47	0	-11	36	
Other investment income	0	16	0	0	-15	1	
Income associates	0	0	0	0	0	0	
Other income	0	0	63	0		63	
<b>Total income</b>	<b>1,325</b>	<b>516</b>	<b>165</b>	<b>2</b>	<b>-27</b>	<b>1,981</b>	
Claims incurred	-806	-278	0	0		-1,084	
Interest expenses	-16	-1	-6	-3	1	-25	
Other investment expenses	-8	-9	0	-12	11	-18	
Impairment of loans, advances and receivables, etc.	0	0	6	0		6	
Acquisition and administrative expenses	-222	-26	-163	0	15	-396	
<b>Total expenses</b>	<b>-1,052</b>	<b>-314</b>	<b>-163</b>	<b>-15</b>	<b>27</b>	<b>-1,517</b>	
Result of business ceded	-41	-1	0	0		-42	
Change in life insurance provisions	0	-219	0	0		-219	
Change in profit margin, Life and Pension	0	-5	0	0		-5	
Exchange rate adjustments	4	88	14	-1		105	
Tax on pension investment returns	0	-31	0	0		-31	
<b>Profit/loss before tax</b>	<b>236</b>	<b>34</b>	<b>16</b>	<b>-14</b>	<b>0</b>	<b>272</b>	
Tax	-49	-8	-4	3		-58	
<b>Profit/loss after tax</b>	<b>187</b>	<b>26</b>	<b>12</b>	<b>-11</b>	<b>0</b>	<b>214</b>	

DKKm						Q1 2016	
	Non-life	Life	Bank	Other	Elimi- nation	Group	
Premium income	1,245	338	0	0		1,583	
Interest income etc.	66	84	64	1	-1	214	
Fee income etc.	0	0	50	0	-11	39	
Other investment income	0	13	0	0	-15	-2	
Income associates	0	0	0	0	0	0	
Other income	0	0	54	0		54	
<b>Total income</b>	<b>1,311</b>	<b>435</b>	<b>168</b>	<b>1</b>	<b>-27</b>	<b>1,888</b>	
Claims incurred	-740	-289	0	0		-1,029	
Interest expenses	-24	-1	-12	-3	1	-39	
Other investment expenses	-9	-11	0	-12	11	-21	
Impairment of loans, advances and receivables, etc.	0	0	5	0		5	
Acquisition and administrative expenses	-200	-22	-139	0	15	-346	
<b>Total expenses</b>	<b>-973</b>	<b>-323</b>	<b>-146</b>	<b>-15</b>	<b>27</b>	<b>-1,430</b>	
Result of business ceded	-79	-1	0	0		-80	
Change in life insurance provisions	0	-203	0	0		-203	
Change in profit margin, Life and Pension	0	-42	0	0		-42	
Exchange rate adjustments	-54	203	-8	0		141	
Tax on pension investment returns	0	-40	0	0		-40	
<b>Profit/loss before tax</b>	<b>205</b>	<b>29</b>	<b>14</b>	<b>-14</b>	<b>0</b>	<b>234</b>	
Tax	-42	-7	-3	3		-49	
<b>Profit/loss after tax</b>	<b>163</b>	<b>22</b>	<b>11</b>	<b>-11</b>	<b>0</b>	<b>185</b>	

## Notes

DKKm	Group		
	Q1 2017	Q1 2016	Year 2016
<b>Note 1 Own Shares</b>			
Carrying amount, beginning of year	0	0	0
Value adjustments	-54	-80	-288
Acquired during the period	64	93	321
Sold during the period	-10	-13	-33
<b>Carrying amount, end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>
Nominal value, beginning of year	100	50	51
Acquired during the period	12	22	67
Sold during the period	-4	-6	-18
<b>Nominal value, end of period</b>	<b>108</b>	<b>65</b>	<b>100</b>
Holding number of shares (1,000), beginning of year	10,034	5,090	5,090
Additions, number of shares	1,160	2,073	6,742
Disposals, number of shares	-402	-657	-1,798
<b>Holding number of shares (1,000), end of period</b>	<b>10,792</b>	<b>6,506</b>	<b>10,034</b>
<b>Percentage of share capital, end of period</b>	<b>6.2%</b>	<b>3.7%</b>	<b>5.8%</b>
<b>Note 2 Contingent liabilities, guaranties and leasing</b>			
<b>Guarantee commitments</b>	<b>1,616</b>	<b>1,396</b>	<b>1,619</b>

## Notes

	31 march 2017				31 december 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Note 3 Fair value measurement of financial instruments</b>								
<b>Financial assets</b>								
Loans and advances	0	4,500	1,445	5,945	0	3,598	1,523	5,121
Bonds	23,214	367	9	23,590	22,262	755	6	23,023
Shares	1,536	108	106	1,750	1,450	108	98	1,656
Investment properties	0	0	904	904	0	0	905	905
Other assets	8	769	0	777	1	827	0	828
<b>Total financial assets</b>	<b>24,758</b>	<b>5,744</b>	<b>2,464</b>	<b>32,966</b>	<b>23,713</b>	<b>5,288</b>	<b>2,532</b>	<b>31,533</b>
<b>Financial liabilities</b>								
Subordinated debt	0	175	399	574	175	0	399	574
Deposits	0	7,354	0	7,354	0	6,963	0	6,963
Other payables	1	512	9	522	1	698	0	699
<b>Total financial liabilities</b>	<b>1</b>	<b>8,041</b>	<b>408</b>	<b>8,450</b>	<b>176</b>	<b>7,661</b>	<b>399</b>	<b>8,236</b>

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

Level 1 is based on quoted (unadjusted) prices in active markets.

Level 2 is used where no quoted price is available but where the use of another official price is deemed to best reflect the fair value.

Level 3 is used for financial assets and liabilities for which a quoted price or other official price is not available or is deemed not to reflect the fair value. Instead, measurement techniques and other observable market data are used to determine the fair value. In the cases in which observable prices based on market data are not available or are not deemed to be usable for the determination of fair value, recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value. The assumptions may include recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc. The bank's unlisted shares that are not measured at a redistribution price belong to this category.

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

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement.

The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. There were no transfers between categories in the fair value hierarchy in 2016 or 2017.

	31 march 2017				
	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
<b>Development in level 3 financial instruments</b>					
Carrying amount, beginning of year	1,523	6	98	905	399
Additions during the year	4	3	8	0	0
Disposals during the year	-61	0	-1	-1	0
Realised value adjustments	-11	0	0	0	0
Unrealised value adjustments	-10	0	1	0	0
<b>Carrying amount, year-end</b>	<b>1,445</b>	<b>9</b>	<b>106</b>	<b>904</b>	<b>399</b>
Value adjustments recognised in the income statement	-21	0	1	0	0
	31 december 2016				
	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
<b>Development in level 3 financial instruments</b>					
Carrying amount, beginning of year	1,816	6	89	939	399
Additions during the year	16	0	3	14	0
Disposals during the year	-281	0	-3	-138	0
Value adjustments during the year				90	0
Realised value adjustments	-24	0	-2	0	0
Unrealised value adjustments	-4	0	11	0	0
<b>Carrying amount, year-end</b>	<b>1,523</b>	<b>6</b>	<b>98</b>	<b>905</b>	<b>399</b>
Value adjustments recognised in the income statement	-28	0	9	90	0

## Notes

### Note 4 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 outcome of these discussions, 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.

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 5 Financial highlights and key ratios

See the management’s review.

## Balance sheet

DKKm	Note	Parent company		
		31 March 2017	31 March 2016	Year 2016
<b>Assets</b>				
Investment in group enterprises	1	5,181	5,290	4,956
<b>Total investments in group enterprises and associates</b>		<b>5,181</b>	<b>5,290</b>	<b>4,956</b>
Equity investments		1	1	1
Bonds		397	206	436
Other loans and advances		2	2	2
Deposits with credit institutions		0	0	17
Cash in hand and balances at call		10	0	16
<b>Total other financial investment assets</b>		<b>410</b>	<b>209</b>	<b>472</b>
<b>Total investment assets</b>		<b>5,591</b>	<b>5,499</b>	<b>5,428</b>
Receivables from group enterprises		0	15	13
Other receivables		37	33	45
<b>Total receivables</b>		<b>37</b>	<b>48</b>	<b>58</b>
Current tax assets		22	18	18
Deferred tax assets		9	13	0
<b>Total other assets</b>		<b>31</b>	<b>31</b>	<b>18</b>
Total prepayments		3	0	4
<b>Total assets</b>		<b>5,662</b>	<b>5,578</b>	<b>5,508</b>
<b>Liabilities and equity</b>				
Share capital		1,735	1,735	1,735
Other provisions		1,215	1,216	1,215
Proposed dividend		831	521	831
Retained earnings		1,579	1,804	1,419
<b>Total shareholders' equity</b>		<b>5,360</b>	<b>5,276</b>	<b>5,200</b>
Subordinated debt		250	250	250
<b>Subordinated debt</b>		<b>250</b>	<b>250</b>	<b>250</b>
Deferred tax liabilities		40	40	29
<b>Total provisions</b>		<b>40</b>	<b>40</b>	<b>29</b>
Payables to group enterprises		3	4	15
Issued bonds		0	0	0
Other payables		9	8	14
<b>Total payables</b>		<b>12</b>	<b>12</b>	<b>29</b>
<b>Total liabilities and equity</b>		<b>5,662</b>	<b>5,578</b>	<b>5,508</b>

## Income and comprehensive income statement

DKKm	Note	Parent company		
		Q1 2017	Q1 2016	Year 2016
<b>Income statement</b>				
Income from group enterprises	2	225	197	873
Value adjustments, bonds		-1	0	-3
Interest income and dividends etc.		2	1	7
Interest expenses		-3	-4	-13
Administrative expenses related to investment activities		-12	-12	-53
<b>Profit/loss before tax</b>		<b>211</b>	<b>182</b>	<b>811</b>
Tax		3	3	15
<b>Profit/loss after tax</b>		<b>214</b>	<b>185</b>	<b>826</b>
<b>Comprehensive income</b>				
Profit/loss for the year		214	185	826
<b>Comprehensive income</b>		<b>214</b>	<b>185</b>	<b>826</b>
<b>Proposed allocation of loss:</b>				
Proposed dividend		0	0	831
Retained earnings		214	185	-5
<b>Comprehensive income</b>		<b>214</b>	<b>185</b>	<b>826</b>

Accounting policies 3



## Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
<b>Shareholders' equity at 1 January 2016</b>	1,735	1,215	1,694	521	5,165
Change in accounting policies			5		5
<b>Adjusted shareholders' equity at 1 January 2016</b>	1,735	1,215	1,699	521	5,170
<b>Changes in equity Q1 2016:</b>					
Profit/loss for the period			185	0	185
Comprehensive income			185	0	185
Purchase and sale of treasury shares			-93		-93
Share option scheme			1		1
Share option scheme, exercise			13		13
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>106</b>	<b>0</b>	<b>106</b>
<b>Shareholders' equity at 31 March 2016</b>	1,735	1,215	1,805	521	5,276
<b>Adjusted shareholders' equity at 1 January 2015</b>	1,735	1,215	1,699	521	5,170
<b>Changes in equity 2016:</b>					
Profit/loss for the year			826	0	826
Comprehensive income			826	0	826
Proposed dividend			-831	831	0
Dividende distributed			21	-521	-500
Purchase and sale of treasury shares			-321		-321
Share option scheme, issuance			1		1
Share option scheme, exercise			34		34
Capital movements in subsidiaries			-10		-10
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>-280</b>	<b>310</b>	<b>30</b>
<b>Shareholders' equity at 31 December 2016</b>	1,735	1,215	1,419	831	5,200
<b>Shareholders' equity at 1 January 2016</b>	1,735	1,215	1,419	831	5,200
<b>Changes in equity Q1 2017:</b>					
Profit/loss for the period			214	0	214
Comprehensive income			214		214
Share option scheme, exercise			10		10
Purchase and sale of treasury shares			-64		-64
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>160</b>
<b>Shareholders' equity at 31 March 2017</b>	1,735	1,215	1,579	831	5,360

## Notes

DKKm	31 March 2017	31 March 2016	Year 2016
<b>Note 1 Investment in group enterprises</b>			
Cost beginning of year	8,491	8,491	8,491
Cost, year-end	8,491	8,491	8,491
Revaluation and impairment beginning of year	-3,535	-3,336	-3,403
Change in accounting policies	0	-62	5
Dividend received	0	0	-1,000
Profit/loss for the period	225	197	873
Other movements in capital	0	0	-10
Revaluation and impairment of treasury shares in subsidiaries	0	0	0
Revaluation and impairment, year-end	-3,310	-3,201	-3,535
<b>Investment in group enterprises, year-end</b>	<b>5,181</b>	<b>5,290</b>	<b>4,956</b>
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,533	1,506	1,521
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	3,648	3,784	3,435
Investment in group enterprises, year-end	5,181	5,290	4,956

### Note 2 Income from group enterprises

DKKm	Q1 2017	Q1 2016	Year 2016
Alm. Brand Bank A/S	12	11	36
Alm. Brand Forsikring A/S	213	186	837
<b>Total income from group enterprises</b>	<b>225</b>	<b>197</b>	<b>873</b>
<i>The results are recognised in the following items:</i>			
Income from group enterprises	225	197	873
Total income from group enterprises	225	197	873

### 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.

The accounting policies are unchanged from the policies applied in the 2016 Annual Report.

The interim report is unaudited.