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Alm
Brand

ALM. BRAND

Annual Report 2019

Alm. Brand A/S | Midtermolen 7 | DK-2100 Copenhagen Ø
Company reg. (CVR) no. 77 33 35 17



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Group companies

Alm. Brand in brief

Alm. Brand is a Danish financial services group.
We carry on business within Banking, Non-life Insurance and Life Insurance.



*We take
care of
our customers*

Our identity



Proper conduct

Proper conduct is the core of Alm. Brand. We behave properly and treat our customers and each other in a fair and proper manner.

Commitment

At Alm. Brand, we make an effort. We are committed to being there for our customers in their everyday lives and to being focused on their needs.

Making it simple

We are pragmatic and see things from the customer's perspective. We ensure simplicity and swiftness by being easy to reach and by offering good self-service solutions.

Founded

1792

Alm. Brand was founded by Royal Decree on 29 February 1792 – 228 years ago.

Employees at end-2019

1,800

We are some 1,800 employees working at our head office in Copenhagen and in our local offices and branches.

Branches and offices

19

We have 19 branches and offices across Denmark supplemented by digital platforms.

Alm. Brand af 1792 fmba

60%

Our largest shareholder is Alm. Brand af 1792 fmba, which holds about 60% of the shares of Alm. Brand A/S.

Our *business model*

We offer supreme customer service and high-quality products covering the full range of our customers' financial needs.

Benefits for our customers

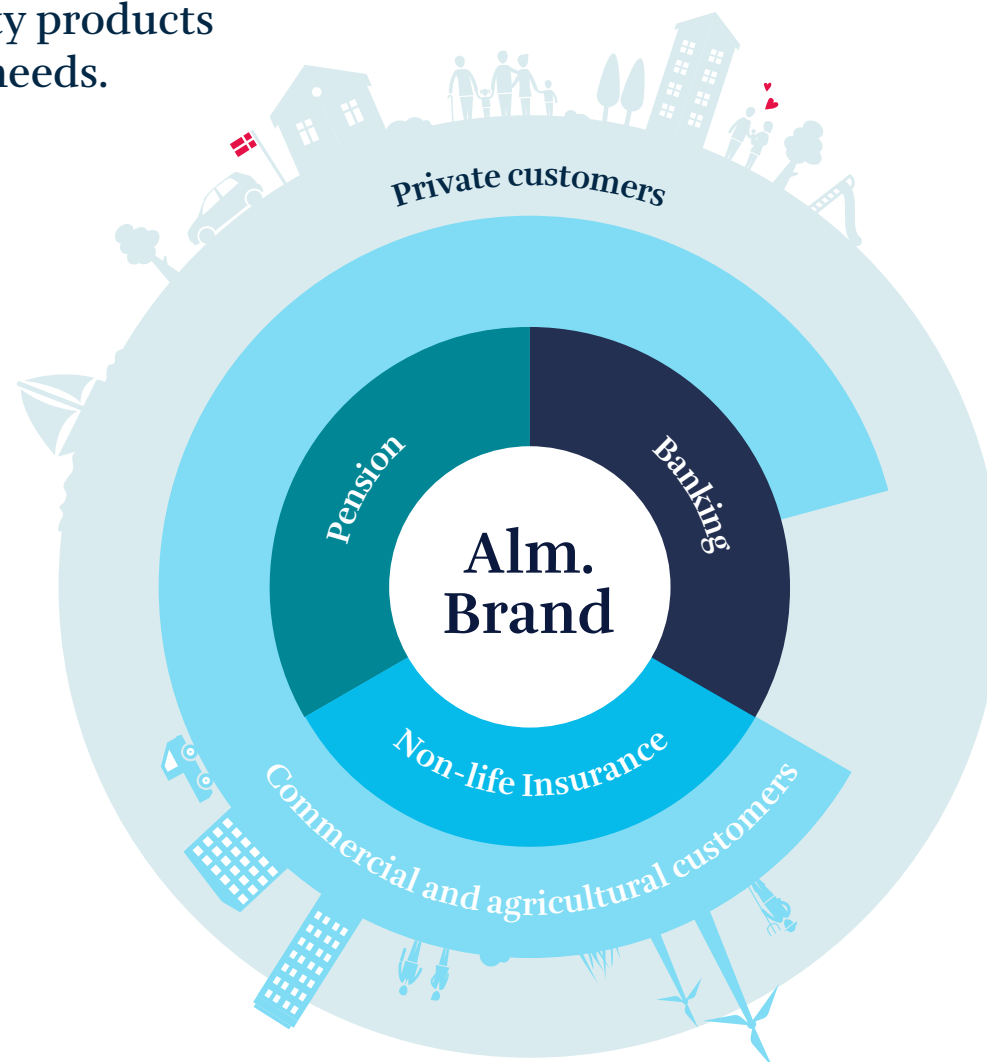
- All financial solutions consolidated in one place
- Financial advisory services tailored to the needs of each individual customer
- Nation-wide coverage with 19 branches and offices as well as online services
- High quality and customer satisfaction

Benefits for Alm. Brand

- Many customer contact points
- Synergies in the form of shared functions and knowledge sharing across the organisation
- Long-term customer relations
- In-depth knowledge of our customers' needs, solutions and risks
- Extensive partnership network across Denmark

Supportive group structure

- Strong brand
- Synergies in the form of shared functions
- Cost efficiency
- High employee satisfaction



Overview of 2019 results

Satisfactory profit and decent business performance

FINANCIAL RESULTS FOR FY2019

In 2019, Alm. Brand generated a consolidated pre-tax profit excluding extraordinary costs of DKK 684 million, as compared with a DKK 724 million profit in 2018. The profit for the year was satisfactory and in line with expectations. Return on equity totalled 14.8%.

The Non-life Insurance and Life Insurance business areas both achieved satisfactory results. While the bank's overall financial performance was in line with expectations, the profit composition was not satisfactory.

The 2019 profit comprised extraordinary costs in a total amount of DKK 115 million, composed of a DKK 85 million provision for restructuring across the group and a DKK 30 million impairment writedown of the capitalised share of the Bankdata capital market programme. Including these items, the pre-tax profit was DKK 569 million.

The Board of Directors recommends distribution of an ordinary dividend of DKK 3.00 per share. This means that Alm. Brand will distribute approximately DKK 460 million for the 2019 financial year, corresponding to a payout ratio of 102% of the profit after tax.

Establishing a more customer-oriented and competitive Alm. Brand

In connection with the release of the preliminary statement of financial results for 2019, Alm. Brand has announced comprehensive changes across group which are intended to unlock the full potential of the "Alm. Brand for the Customer" strategy.

The changes comprise the establishment of a new customer-oriented organisation, freeing-up of resources and a reduction of the headcount. At the same time, new financial targets to be achieved in the period until 2022 will be introduced.

A new customer-oriented organisation divided into Private and Commercial

across all of the group's three business areas will be established. At the same time, development activities are being combined in a single organisation, which will be able to quickly and more efficiently deliver new digital solutions that are intended to make it easier and more attractive to be a customer of Alm. Brand. The initiatives also include measures to reduce the group's costs with effect immediately.

In connection with the establishment of the new organisation, the number of full-time equivalents in Alm. Brand will be reduced by 120. Most redundancies will be effected at the group's head office, including in the bank.

At the same time, Alm. Brand will align the bank's service model so that, going forward, the bank will focus its efforts on serving group-wide customers. This will enable the group to offer an even higher level of service to its customers, while improving profitability as a result of a reduced cost base.

Non-life Insurance

Non-life Insurance generated a pre-tax profit excluding extraordinary costs of DKK 607 million in 2019, as compared with DKK 652 million in 2018. The profit was favourably affected by a positive trend in the underlying business, but lower run-off gains relative to last year and a negative

102%

payout ratio

Dividend of DKK 3.00 per share.

effect from a lower discount rate detracted from performance. The 2019 profit included run-off gains of DKK 77 million, against DKK 196 million in 2018, reflecting, in line with expectations, a decline in the effect of run-offs on the profit. The performance was satisfactory and in line with expectations.

Gross premiums increased by 1.7% in 2019 to a total of DKK 5,365 million, against DKK 5,274 million in 2018. The private customer segment and the commercial customer segment contributed to the overall growth by 0.9% and 2.6%, respectively. Customer retention remained high in both segments, although affected by profitability-enhancing measures.

Overall growth was in line with the most recent guidance, but it fell short of the guidance provided at the beginning of the year.

Overview of 2019 results

Income by business area

INVESTMENTS ETC.

406

DKKm

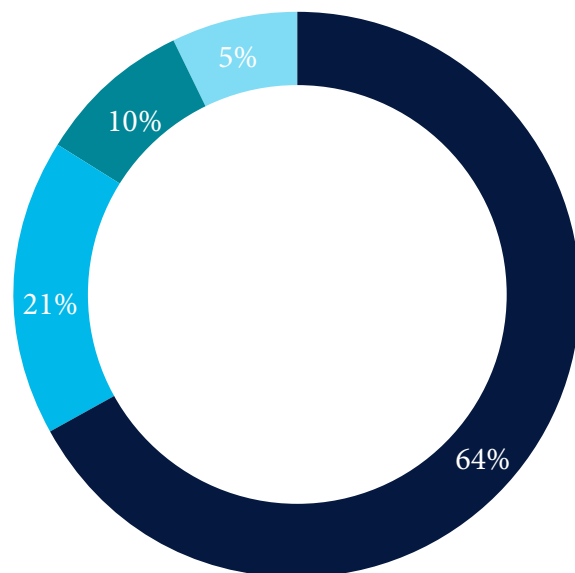
▲ 8.0%

BANKING

825

DKKm

▼ 13.5%



NON-LIFE INSURANCE

5,365

DKKm

▲ 1.7%

LIFE INSURANCE

1,850

DKKm

▼ 7.7%

Total income

8,608

DKKm

Profit before tax

724

DKKm

Return on equity

15.2%

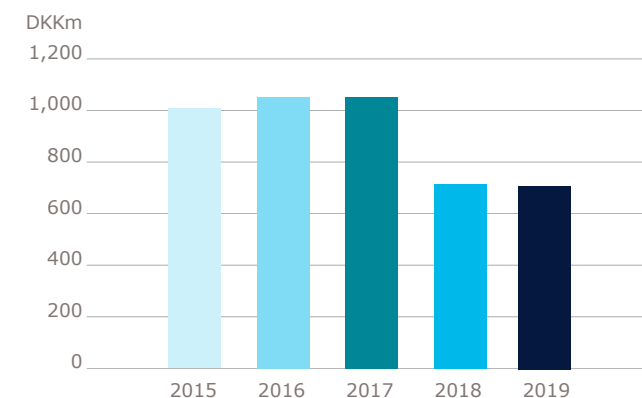
before tax

Earnings per share*)

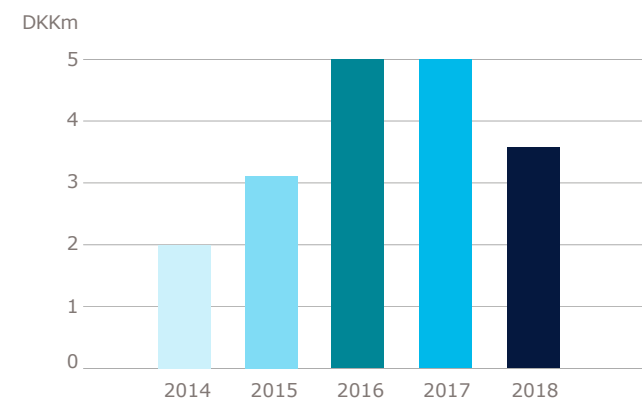
3.5

DKK

Profit before tax*)



Earnings per share*)



*) Net of extraordinary costs totalling DKK 115 million before tax in 2019.

Excluding extraordinary costs, the combined ratio was 89.4%, composed of a claims experience of 72.0% and costs of 17.4%. The combined ratio was favourably affected by a general improvement of the underlying business and an overall positive major claims and weather-related claims experience, whereas a declining discount rate and lower run-off gains detracted from performance. Costs were slightly higher than anticipated, among other things due to continued investments in digitalisation.

Non-life Insurance continued its insurance product digitalisation activities in 2019. These activities include product characteristics, underlying processes and customer-oriented self-service options.

The investment return after technical interest was a profit of DKK 37 million, against a loss of DKK 33 million in 2018. This performance was satisfactory in light of the very low interest rate level and the fact that the change in the calculation of the VA premium at the beginning of the year resulted in an extraordinary expense of about DKK 25 million.

Life Insurance

Life Insurance generated a pre-tax profit excluding extraordinary costs of DKK 96 million in 2019, as compared with DKK 104 million in 2018. The performance was satisfactory and in line with expectations.

Total pension contributions amounted to DKK 1,850 million, against DKK 2,004 million in 2018. Of this amount, single payments represented DKK 1,047 million, against the exceptionally high level of DKK 1,238 million reported in 2018.

Regular payments increased by 4.7% to DKK 803 million in 2019, against DKK 766 million in 2018, which was short of expectations.

The substantial influx of corporate pension schemes remained the company's overriding growth driver. This development should be seen in light of a number of initiatives taken to simplify access for the customer through digitalised underwriting and in connection with provision of personal health information.

The bonus rate was 16.1% at 31 December 2019, against 18.6% at the year-earlier date, due to a sustained low interest rate level and the rate on policyholders' savings of 3.5% paid in the past year. The bonus rate was satisfactory considering the interest rate level and enables Life Insurance to continue to offer a competitive rate on policyholders' savings. The rate on policyholders' savings for 2020 has been determined at 2.5%, which is still one of the highest rates in the market.

Banking

Banking generated a pre-tax profit excluding extraordinary costs of DKK 67 million in 2019, as compared with DKK 26 million in 2018. The higher profit was driven by increased business volume, supported by strong trading and customer remortgaging activity. Earnings benefited from reversed impairment writedowns on loans, while a loss on the investment portfolio related to negative interest on the bank's considerable deposit surplus detracted from performance. Although the profit was in line with expectations, the profit composition was not satisfactory.

Throughout the year, the bank's lending operations were characterised by substantial new lending and a high level of repayment and redemption relative to the size of the lending portfolio. The bank's loans and advances amounted to DKK 5.0 billion at 31 December 2019, which was unchanged from 31 December 2018. The portfolio of Totalkredit loans amounted to DKK 16.9 billion at 31 December 2019, against DKK 15.3 billion at 31 December 2018, equivalent to an increase of 10.5%.

The declining interest rate level has made it attractive for many customers to convert or remortgage existing loans and, especially towards the end of the summer months, the bank experienced brisk conversion and

remortgaging activity. Moreover, the bank experienced brisker asset management and securities trading activity.

As a result of the sustained favourable economic climate, rising property prices and improved economic conditions for several of the bank's customers, the bank was able to reverse writedowns in the amount of DKK 75 million in 2019.

At 31 December 2019, the bank had a deposit surplus of DKK 5.8 billion, which combined with negative money market rates to produce a loss on the investment portfolio with a direct effect on the bank's total earnings of about DKK 25-30 million.

The bank has announced that it will introduce negative interest rates and fee changes for private customers, which is expected to lift 2020 earnings by about DKK 40 million.

Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The performance was a loss of DKK 86 million, against a loss of DKK 58 million in 2018. The higher cost level was primarily due to expensed payments in connection with the departure of the former Chief Executive Officer.

FINANCIAL RESULTS FOR Q4

In Q4 2019, Alm. Brand generated a pre-tax profit excluding extraordinary costs of DKK 152 million, as compared with a DKK 84 million profit in 2018. The Q4 profit was satisfactory and in line with expectations. Including the above-mentioned extraordinary costs, the pre-tax profit was DKK 37 million.

Non-life Insurance posted a pre-tax profit excluding extraordinary costs of DKK 151 million in Q4 2019, against DKK 92 million in Q4 2018. The performance was favourably affected by a generally good claims experience and a strong investment result as compared with the year-earlier period. The technical result was a profit of DKK 98 million before tax in Q4 2019, against DKK 124 million in Q4 2018. The performance was satisfactory and equalled a combined ratio of 92.9, against 90.7 a year earlier, being supported by a favourable underlying trend, but adversely affected by a run-off loss related to provisions to cover workers' compensation claims. The Q4 2019 expense ratio was 17.0.

Life Insurance posted a pre-tax profit excluding extraordinary costs of DKK 25 million in Q4 2019, against DKK 22 million in Q4 2018. Total pension contributions amounted to DKK 453 million lifted by continued growth in regular payments. The performance was in line with expectations and satisfactory.

Banking posted a pre-tax profit excluding extraordinary costs of DKK 22 million in Q4 2019, against a loss of DKK 14 million in Q4 2018. The performance was supported by higher trading income, capital gains on shares and the final settlement of the acquisition of the majority of Saxo Privatbank's activities. While in line with expectations, the performance was not satisfactory.

MAJOR EVENTS

Share buybacks

Since 2015, the Alm. Brand Group has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 60%.

On 22 March 2019, Alm. Brand completed a DKK 200 million share buyback programme.

On 30 April 2019, the group launched a new share buyback programme of up to DKK 200 million in aggregate, which runs until end-March 2020. At 31 December 2019, shares for a total amount of DKK 161 million had been bought back under the share buyback programme. A small portion is used for the existing share-based remuneration scheme.

Share-based remuneration scheme

The group's employees were offered to participate in a share-based remuneration scheme again in December 2019. The scheme runs for a period of one year with effect from 1 January 2020, and the shares will be granted on a quarterly basis, the first grant taking place in May 2020. The scheme represents a total market value of approximately DKK 31 million.

Shares to be granted under the share-based remuneration scheme are purchased in the equity market, and the scheme has been individually approved by the Danish Financial Supervisory Authority.

Change to the Management Board

On 30 October 2019, Søren Boe Mortensen resigned from the position as Chief Executive Officer. The Board of Directors has appointed Rasmus Werner Nielsen as interim Chief Executive Officer of Alm. Brand A/S. ■

To our shareholders

Satisfactory performance in 2019, while recognising the necessity of accelerating renewal and progress.

Alm. Brand achieved overall satisfactory results in 2019 and over the course of the year took several steps towards realising the group strategy **Alm. Brand for the Customer**. But 2019 was also a year in which Alm. Brand had to realise that the full potential of the strategy can only be unlocked if we succeed in even more firmly delivering on the initiatives and focus areas comprised by the strategy. At the beginning of 2020, we therefore implemented changes with the establishment of a new and more customer-driven organisation, comprehensive cost-savings and ambitious financial targets for the upcoming years.

Our vision is to offer a customer experience that makes it easy and convenient for our customers and that ties together non-life insurance, life insurance and banking products, thereby creating overview and relevance for the individual customer.

Digitalisation and organisation are key to succeeding.

Since 2017, we have therefore made dedicated efforts to build the foundation nec-

essary to achieve a digital strategy aiming to ensure efficient processes and coherent administrative and CRM systems. In 2019, we stepped up the digitalisation process and delivered visible results including the launch of the Mit Alm. Brand app, offering an overview of insurances and digital reporting of parking claims. Moreover, we launched the first fully digitalised insurance products, allowing customers to take out insurance without any point in the process involving Alm. Brand staff. Our customers have been quick to adopt the new digital offers.

But these are just the first steps in the transformation envisaged for the group's financial services.

Digitalisation will add value

The future facing Alm. Brand will include even further digitalisation and automation of workflows and processes with direct gains in the form of an expansion of the digital self-service universe and personalised digital solutions and products. Solutions that meet customer requirements and contribute to a good customer experience. Our digitalisation efforts will



also enable Alm. Brand to leverage more value from the host of customer data the company has accumulated across Non-life Insurance, Life Insurance and Banking. The transformation process will characterise 2020 and the following years.

Stable underlying business

Alm. Brand achieved a performance which, overall, is considered to be satisfactory. Based on a stable underlying business, both Non-life Insurance and Life Insurance generated profit in line with expectations. While the bank's overall financial performance was also in line with expectations, the profit composition was not satisfactory.

The group reported a consolidated profit of DKK 684 million before extraordinary costs and tax in 2019, which, as expected, was less than the 2018 profit of DKK 724 million. The 2019 profit included reversed impairment writedowns on loans in the Bank and run-off gains in Non-life Insurance. Going forward, these sources of income are not expected to contribute as

much as we have seen to date, and merely maintaining the group's earnings level will therefore require an improvement of the underlying operations to offset this effect. We therefore wish and expect more for Alm. Brand.

Based on the profit for the year, the Board of Directors recommends distribution of a dividend of DKK 3.00 per share.

Renewal to preserve

The agenda for 2020 comprises further acceleration of measures to renew and create more progress in the underlying business in order to preserve the Alm. Brand we know and to ensure that Alm. Brand is able to overcome the changes that are sweeping across the financial sector at a rapid pace.


The framework for executing our strategy has changed with the formation of a new and more customer-driven organisation which should be better able to ensure optimisation across the three business areas and execute forcefully on the strat-

egy focus areas, including to create visible results in terms of customer experience, innovation, efficiency enhancements and earnings.

Alm. Brand for the Customer remains the ambitious bar of the group's strategy, and with the new financial targets we want to send a clear message about the size of the potential we believe the group holds.



Jørgen Hesselbjerg Mikkelsen
Chairman of the Board



Rasmus Werner Nielsen
Chief Executive Officer

5-year *highlights*

	DKKm	2019	Q4 2019	2018	2017	2016	2015
GROUP	Income						
	Non-life Insurance	5,365	1,358	5,274	5,157	5,028	5,061
	Life Insurance	1,850	453	2,004	1,394	1,281	1,311
	Banking	825	223	954	731	653	662
	Investment etc.	406	99	376	491	532	562
	Total income	8,446	2,133	8,608	7,773	7,494	7,596
	Profit/loss						
	Non-life Insurance	607	151	652	917	967	952
	Life Insurance	96	25	104	93	84	79
	Banking	67	22	26	67	44	-331
	Other activities	-86	-46	-58	-54	-62	-55
	Profit before tax excluding extraordinary costs	684	152	724	1,023	1,033	645
	Extraordinary costs	-115	-115	-	-	-	-
	Profit/loss before tax	569	37	724	1,023	1,033	645
	Tax	-117	-9	-155	-212	-207	-121
	Profit/loss after tax	452	28	569	811	826	524
	Total provisions for insurance contracts	23,593	23,593	21,626	20,961	20,092	19,427
	Consolidated shareholders' equity	4,576	4,576	4,748	4,936	5,200	5,165
	Total assets	41,798	41,798	39,025	34,654	34,859	35,081
	Average no. of employees	1,796	1,796	1,770	1,602	1,572	1,557
	Return on equity before tax (%) *)	14.8	13.0	15.2	20.8	20.2	12.9
	Return on equity after tax (%) *)	11.7	10.1	12.0	16.5	16.2	10.4

	DKKm	2019	Q4 2019	2018	2017	2016	2015
PARENT COMPA- NY	Profit/loss before tax	429	15	555	798	811	511
	Tax	23	13	14	13	15	13
	Profit/loss for the year	452	28	569	811	826	524
	Total assets	5,208	5,208	5,095	5,247	5,508	5,481
	Total investment assets	4,952	4,952	5,021	5,173	5,428	5,411
	Share capital	1,577	1,577	1,610	1,655	1,735	1,735
	Shareholders' equity	4,576	4,576	4,748	4,936	5,200	5,165
	Payables	345	345	59	25	29	39
	Return on equity before tax (%) *)	14.8	13.0	15.2	20.8	20.2	12.9
	Return on equity after tax (%) *)	11.7	10.1	12.0	16.5	16.2	10.4
FINANCIAL RATIOS	Earnings per share	2.9	0.2	3.6	5.0	5.0	3.1
	Diluted earnings per share	2.9	0.2	3.6	4.9	4.9	3.1
	Net asset value per share	30	30	30	30	31	30
	Share price, end of period	59.2	59.2	49.3	81.0	54.0	48.4
	Price/NAV	2.0	2.0	1.7	2.7	1.7	1.6
	Average no. of shares (in thousands)	155,832	154,631	158,150	161,438	165,839	169,236
	No. of shares at year-end, diluted (in thousands)	154,588	154,588	157,955	161,708	166,218	172,509
	Average no. of shares, diluted (in thousands)	156,527	154,989	159,723	163,840	169,321	173,007
	Dividend per share	3.0	3.0	3.0	3.0	5.0	3.0
	No. of shares bought back (in thousands)	3,891	1,212	3,307	4,768	6,472	574
	Avg. price of shares bought back, DKK	56.0	54.4	65.5	59.4	47.7	46.7

*) Return on equity in the parent company is calculated before tax in subsidiaries.

The calculation of Return on equity before tax for 2018 takes into account deferred tax of DKK 49 million from an intangible asset (customer relationships).

Return on equity for 2019 has been calculated net of extraordinary costs totalling DKK 115 million before tax.

Outlook for 2020 and targets for 2022

Expectations are for an overall pre-tax profit of DKK 650-700 million in 2020.

Financial outlook for 2020

Alm. Brand expects to post a pre-tax profit of DKK 650-700 million in 2020 excluding run-off result, corresponding to an increase of about DKK 150 million, or close to 30%, relative to the comparable 2019 profit. The profit guidance for 2020 includes a profit-enhancing full-year effect of redundancies of approximately DKK 100 million in total.

Non-life Insurance is expected to generate a pre-tax profit excluding run-off result of about DKK 525 million, Life Insurance a pre-tax profit of about DKK 100 million and Banking a profit of more than DKK 100 million before tax. The combined ratio is expected to be in the region of 91 in 2020.

The financial outlook is based on the assumption of continued low interest rates in 2020. The group has a substantial portfolio of investment assets, and a continued low interest rate level therefore affects all of the group's business areas.

Financial targets for the period until 2022

Alm. Brand has introduced new financial targets to be achieved in the period until 2022:

- growth in Non-life Insurance defined as an average annual increase in gross premiums of 3%;
- improved earnings in Non-life Insurance as expressed by a combined ratio of less than 90 and a gross expense ratio of about 16%;
- improved earnings in Banking as expressed by an annual return on equity of at least 10% before amortisation of customer relationships and tax;
- average annual growth in regular premium payments in Life Insurance of 7%.

In addition to the financial targets, Alm. Brand will strive to achieve its non-financial targets in respect of customer and employee satisfaction.

The target for customer satisfaction as expressed by the net promotor score has been raised from 60 to 70, while the target for employee satisfaction is maintained at a score of 80.

Targets for the group

DKKm	Realised	Target
	2019	2022
Non-life Insurance, average growth in gross premiums p.a.	1.7%	3%
Non-life Insurance, combined ratio excluding run-off result	90.8%	90%
Non-life Insurance, gross expense ratio	17.4%	16%
Banking, return on equity before amortisation of customer relationships and tax	5.1%	10%
Life Insurance, average growth in regular premiums p.a.	4.7%	7%
Customer satisfaction (NPS)	65	70
Employee satisfaction	78	80

Alm. Brand for the Customer

Alm. Brand for the Customer defines the group's strategy for the period until 2022

Over the past years, Alm. Brand has developed its business based on an ambitious strategy defined back in late 2016. The strategy, encompassing a variety of initiatives under the heading **Alm. Brand for the Customer**, builds on a vision of creating an Alm. Brand that enables us to offer our customers a whole new experience.

An experience where we accommodate the full range of our customers' financial needs across Non-life Insurance, Life Insurance and Banking. And an experience where Alm. Brand proactively advises and offers the individual customer the group's best solutions adapted to the customer's present situation and needs.

The goal is to make it easy and convenient to be a customer of Alm. Brand and to serve our customers wherever, whenever and however they need it. This is an ambitious goal, but also a necessary goal to ensure that Alm. Brand remains strong and competitive and equipped to meet individual customer preferences and demands for financial advisory services. This makes demands on our advisers as well as on the dialogue they have with customers – and it makes demands in terms of availability and options, including intuitive digital self-service solutions.

Strategy foundation

Since the beginning of the strategy period, Alm. Brand for the Customer has been based on an ambition to increase the number of group-wide customers, to have a high level of customer satisfaction and a high level of employee satisfaction and to achieve top line growth and profitability. The strategy is broadly based, building on our ability to offer each individual customer an attractive value proposition based on quality, overview and user friendliness.

The strategy shapes a course for Alm. Brand for the period until 2022, but looking into 2020, which is expected to bring new challenges, continued pressure of competition and rapid transformation in the financial sector, it is clear that we need to make an even more targeted effort to ensure value creation for our customers, employees and shareholders.

To achieve this, we have established a more customer-driven organisation and launched financial targets with a view to further unfolding the strategy.

The strategy needs to unfold and deliver more value

We hold on to two of the key focal points of the strategy.

Customer satisfaction is to be measured on an ongoing basis to ensure continuous follow-up and gauging of how customers perceive our advisory and other services. The target is to achieve an increase in the customer satisfaction rate, as measured by the net promoter score (NPS), in the period until 2022. The most recent score was 65 in December 2019. Based on this satisfactory result, we are now raising the target to 70 by end-2022.

Another key focal point of the strategy is to maintain a high employee satisfaction rate. Our employees are the single most important asset for Alm. Brand, and they all contribute to making a difference and to ensuring the quality of the services and products we offer our customers every day. Employee satisfaction is measured on an ongoing basis, and for several years it has ranked among the highest levels in the financial sector. At the most recent gauging in January 2020, the employee satisfaction rate was 78, which is close to our target score of 80.

However, within the framework of **Alm. Brand for the Customer**, we want to add a new chapter to the strategy narrative

in the form of even more well-defined priorities and more nuanced milestones in order to chart an even more precise course for the individual business areas.

This strategy priority is intended to accelerate a development and identify and define clear goals for the group in order to make it clear to us and the world around us what we aim to achieve. As a result, Alm. Brand is now introducing a variety of financial targets and ambitions to ensure that the group's efforts encompass growth initiatives and continuous profitability focus on an equal footing, see the section Outlook. Across the organisation, we aim to grow sales, while at the same time maintaining disciplined pricing as compared with our peers. Moreover, digitalisation and automation must deliver value across the board in the form of efficiency gains and a lower cost base across the group. ■



2017 | **Alm. Brand for the Customer** | 2022



Non-life Insurance

Non-life Insurance is the group's core business, exclusively targeting the Danish market with a special focus on private customers, small and medium-sized enterprises, property owners and administrators, agricultural customers and the public sector.

Financial ratios

Gross premiums

5,365
DKKm

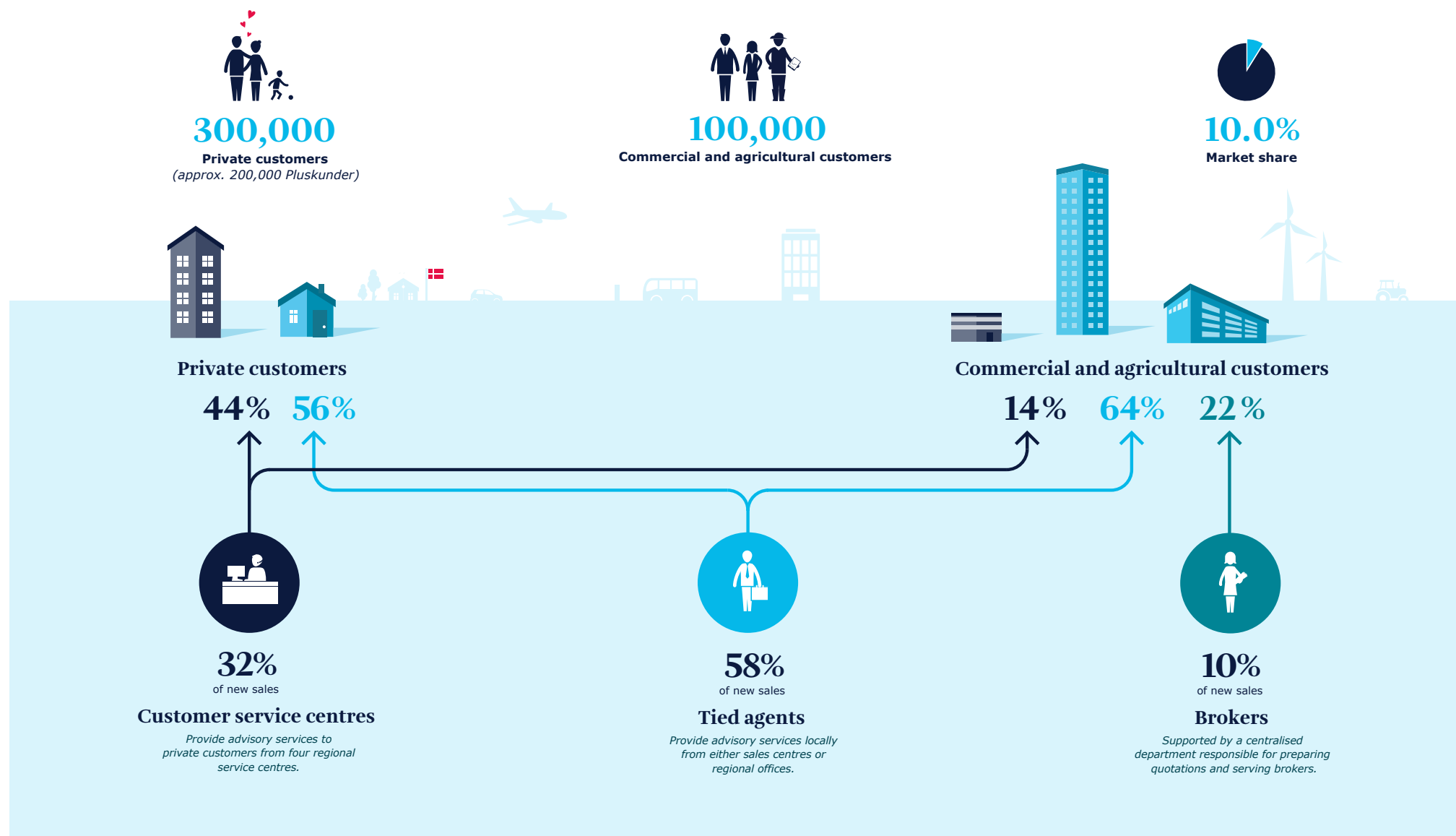
Combined ratio

89.4

Profit before tax

607
DKKm

Denmark's *4th largest* insurer



Non-life Insurance

Improved underlying business, but growth slightly below expectations

MARKET

According to the Danish Insurance Association, the Danish market for direct insurance grew by 2.5% measured in terms of the development in annual premiums from Q3 2018 to Q3 2019 (source: The Danish Insurance Association (*Forsikring & Pension*)).

In the same period, Alm. Brand recorded a slightly declining market share, however, still totalling close to 10%, which positions the company as Denmark's fourth-largest insurance provider.

The private customer insurance market and the motor insurance market have both been affected by recent years' fierce competition led by medium-sized insurance companies in particular. Alm. Brand is now experiencing that the large players in the market have intensified their focus on growth – both in terms of higher premiums and customer on-boarding.

Motor insurance

According to the Danish Car Importers Association (*De Danske Bilimportører*), car sales in Denmark set a new record in 2019 with more than 225,000 new vehicle registrations. Micro and mini cars continue to represent a large proportion of car sales, but the share of these cars has dropped slightly, while the sale of SUV-type cars has increased. Moreover, sales figures showed growth in the sale of electric vehicles and plug-in hybrids of 290% and 24%, respectively. In spite of this, the segment still only accounts for about 2.5% of total vehicle registrations. SUVs and electric/hybrid cars are typically more expensive to insure than smaller-sized cars.

Overall, the motor insurance market reported growth of 3.4% from Q3 2018 to Q3 2019. In the same period, Alm. Brand reported slightly weaker growth of 2.4%.

Private

In 2019, Alm. Brand generated growth in Private lines of 0.9%, which was less than the general market growth of 3.2%.

Market growth was favourably affected by housing construction, which remains at a high level. In particular, the largest cities in Denmark are experiencing brisk activity in the field of apartment construction, combining with a strong influx of residents to drive up the need for insurance. Alm. Brand has only to a moderate extent taken part in this growth, but is instead experiencing a stable portfolio outside the largest cities.

In addition, the market has seen strong growth in the field of home warranty insurance, which is a product written only by a small number of players in the market. Alm. Brand remains focused on profitability, offering this product only if the relationship between risk and pricing is well balanced. As a result of this approach, Alm. Brand experienced weaker growth in 2019 than the rest of the market.

Commercial

Excluding motor insurance, the commercial insurance market grew by 1.1% from Q3 2018 to Q3 2019, while Alm. Brand reported slightly stronger growth in the same period.

Small and medium-sized enterprises

The market for insurance of small and medium-sized enterprises has not changed to any significant extent in recent years. The continued fierce price competition has left its mark as some players have been very aggressive, in several cases resulting in a market price below the risk price. Several insurance companies have been challenged by market conditions, and prices in selected customer segments are now trending lower.

Competition in the field of workers' compensation insurance in particular has been tough for a long time. Price is often the key determinant when customers choose where to place their business and, as opposed to previously, workers' compensation insurance is increasingly being placed separately from other insurance products.

Brokers

In recent years, the major insurance brokers have focused increasingly on offering standardised insurance terms, making the insurance premium the key competitive parameter for customers in this segment. The trend towards standardised insurance terms may cause market shares to shift over the next few years. Alm. Brand does not wish to compromise on either profitability or insurance terms and remains focused on offering customers advice tailored to their specific needs and individual product solutions. Alm. Brand generally experiences a satisfactory level of interest from commercial customers.

Agriculture

Alm. Brand is a leading insurance provider to Danish agriculture with an estimated market share of more than 30%. Competi-

tion is particularly fierce within insurances for productive farms, combined with the fact that the trend in this sector is towards larger but fewer farms. The number of productive farms is therefore declining and has been for many years. However, the farm buildings remain and are taken over by customers whose insurance needs and service expectations are in many ways similar to the needs and expectations of private customers.

For a number of years, Alm. Brand has worked with the individual farmers on claims prevention, engaging on a regular basis in dialogue with the farmers, among other things to eliminate potential fire hazards and reduce the risk of theft.



FINANCIAL RESULTS FOR FY2019

Non-life Insurance generated a pre-tax profit excluding extraordinary costs of DKK 607 million in 2019, which was satisfactory and in line with expectations. Relative to the pre-tax profit of DKK 652 million reported in 2018, the 2019 performance was favourably affected by a good claims experience and a significantly improved investment result, but adversely affected by interest rate developments, weaker growth and a significantly lower run-off result. The run-off result was affected by a change in the processing of industrial injury cases by Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*).

The technical result amounted to a profit of DKK 570 million in 2019, against DKK 685 million in 2018.

The total profit for 2019 also comprises extraordinary restructuring costs of DKK 44 in total, bringing the pre-tax profit to DKK 563 million.

The combined ratio was 89.4 in 2019, being favourably affected by a lower level of expenses for weather-related and major claims, but adversely affected by interest rate developments. Net of run-off gains on claims provisions, the combined ratio was 90.8 in 2019, marking a slight improvement relative to the expected level of 91-92.

The underlying combined ratio was 82.6 in 2019, which was slightly higher than expected. Adjusted for interest rate developments, the combined ratio was 81.2 and consequently better than the year before.

Premiums

Gross premiums increased by 1.7% to DKK 5,365 million in 2019, and growth was thus below the expected level of 2-3%. The weaker growth was seen in particular in the private customer segment and was due to profitability-enhancing measures implemented for selected parts of the portfolio as well as sustained fierce competition.

Customer loyalty as measured by the retention rate remains high in both commercial and private lines, which is highly satisfactory. In line with expectations, the retention rate was impacted by the profitability-enhancing measures implemented.

Claims experience

The claims experience was 72.0%, against 69.8% in 2018. The increase in the claims experience should be seen in light of the fact that interest rate developments in 2019 affected the claims ratio by close to 1.4 percentage points, and run-off gains on claims net of reinsurance affected the claims experience favourably by 1.4 percentage points, against 3.7 percentage points in 2018. Relative to expectations, the 2019 claims experience was favourably

affected by fewer expenses for weather-related and major claims, but adversely affected by the run-off result, especially in Q4 2019. Net of the run-off result, the claims experience was 73.4%.

Including extraordinary costs, the claims experience was 72.4% in 2019.

Weather-related claims

In 2019, weather conditions were characterised by the absence of severe windstorms. However, there were a number heavy rain and cloudburst incidents in both summer and autumn, although these did not result in significant claims expenses. Expenses for weather-related claims net of reinsurance were DKK 140 million in 2019, against the exceptionally low level of DKK 62 million reported in 2018. Weather-related claims affected the combined ratio by 2.6 percentage points in 2019.

Major claims

Both the number of major claims and total expenses for major claims came out better than anticipated in 2019. In 2019, there were no single claims large enough, whether in size or number, to trigger compensation under the reinsurance covers. Net of reinsurance, major claims expenses totalled DKK 308 million, against DKK 383 million in 2018, having a combined effect on the combined ratio of 5.7 percentage points.

Combined ratio

	2019	2018	2017	2016	2015
Combined ratio, underlying business *)	82.6	82.4	81.3	80.4	78.9
Weather-related claims, net of reinsurance	2.6	1.2	1.5	2.2	4.4
Major claims, net of reinsurance	5.7	7.3	6.6	7.4	5.3
Reinstatement premium	0.0	0.0	0.0	-0.1	0.3
Run-off result, claims	-1.4	-3.7	-5.3	-7.9	-8.5
Change in risk margin, run-off result and current year	-0.1	-0.2	0.3	0.2	0.0
Combined ratio *)	89.4	87.0	84.4	82.2	80.4

*) Net of extraordinary costs in a total amount of DKK 44 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio

Underlying business

The underlying claims ratio was 65.2 in 2019, which was in line with the year before, although slightly above the expected level. The claims ratio was favourably affected by a good experience in private lines in particular, but adversely affected by interest rate developments and a general increase in building insurance claims expenses, including in particular increased expenses for concealed pipe-work claims. Including extraordinary costs, the underlying claims ratio was 65.6 in 2019.

Run-off result

Run-off gains on claims net of reinsurance amounted to DKK 77 million in 2019, against DKK 196 million in 2018. In line with expectations, the result reflected a lower level of run-off gains following recent years' recalibration of the provisioning models, but also to a significant extent adverse effects resulting from a change in the processing of industrial injury cases by Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*). A significant change in the pattern of assessment of loss of earning capacity cases over a period of time has resulted in increased average claims. Non-life Insurance is monitoring these developments closely and will adjust the provisioning level as and when required. As a result, the level of run-off gains on workers' compensation insurance

was considerably lower than in previous years. In addition, run-offs in 2019 were adversely affected by a number of adjustments of previously reported personal injury claims on motor liability insurance.

Risk margin

The change in the overall risk margin affected the 2019 performance by a net income of DKK 6 million, equivalent to 0.1 of a percentage point. The amount is composed of a DKK 65 million income attributable to the run-off result and a DKK 59 million expense related to the building-up of risk margin on claims reported in 2019. By comparison, the 2018 result was affected by a net income of DKK 12 million, equivalent to 0.2 of a percentage point, composed of a DKK 72 million income and a DKK 60 million expense.

Costs

Costs totalled DKK 933 million in 2019, against DKK 908 million in 2018, equivalent to an expense ratio of 17.4, which was slightly higher than expected at the beginning of the year.

Including extraordinary costs, total costs amounted to DKK 956 million in 2019.

Net reinsurance ratio

The net reinsurance ratio for the year was 4.6, which was on a par with the expense level reported for 2018. There were no

claims events in 2019 large enough to trigger compensation under the reinsurance covers.

Discounting

The discount rates used declined across the yield curve from 31 December 2018 to 31 December 2019. The year was characterised by a significant interest rate decline until reaching a historical low in August, after which interest rates have increased slightly. At year-end, long-term interest rates were back in positive territory, while short-term interest rates remain negative. Due to the composition of expected cash flows, the technical provisions are affected the most by movements in short-term interest rates. Overall, interest rate developments impaired the combined ratio by 1.4 percentage points relative to 2018.

PRIVATE

The technical result was a profit of DKK 346 million in 2019, against DKK 334 million in 2018. Including extraordinary costs, the technical result was a profit of DKK 325 million.

The combined ratio was 87.2, which was satisfactory and better than expected, supported by a lower level of expenses for weather-related and major claims. Premium income was up by 0.9% to DKK 2,695 million, which was below the level expect-

Private

DKKm	2019	2018
Gross premium income	2,695	2,670
Gross claims expenses	-1,774	-1,771
Insurance operating expenses	-516	-514
Profit/loss on reinsurance	-59	-51
Technical result	346	334
Run-off result, claims	91	95
Run-off result, risk margin	26	30
Gross claims ratio *)	65.8	66.3
Net reinsurance ratio	2.2	1.9
Claims experience *)	68.0	68.2
Gross expense ratio *)	19.2	19.3
Combined ratio *)	87.2	87.5

*) Net of extraordinary costs in a total amount of DKK 21 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio

ed for the year as a whole. In 2019, Non-life Insurance introduced profitability-enhancing measures for a number of private customers who, from a risk perspective, were not paying the right price. Although the customer retention rate – and thus growth – was adversely affected by the measures introduced in 2019, the reten-

tion rate remains at a satisfactory high level. There are still areas of the portfolio where the correlation between price and risk is not satisfactory, and the targeted measures will therefore continue in 2020. Competition in the private customer market remains fierce, especially in motor insurance lines, which has a rub-off effect on other lines as customers normally prefer to pool all of their insurance business with one provider.

The claims experience excluding run-off gains on claims was 71.4%, marking an improvement relative to 2018.

Net of reinsurance, total weather-related claims amounted to DKK 43 million, against DKK 21 million in 2018. In spite of several heavy rain and cloudburst incidents in June, August and September, expenses for weather-related claims for the year were below the expected level. Weather-related claims affected the combined ratio by 1.6 percentage points, against 0.8 of a percentage point in 2018. Expenses for major claims totalled DKK 57 million net of reinsurance, which was quite a bit below the expected level, affecting the combined ratio by 2.1 percentage points. In 2018, expenses for major claims were DKK 78 million and affected the combined ratio by 2.9 percentage points.

The underlying claims ratio was 67.4 in 2019, which was slightly better than expected and an improvement relative to 2018. The claims ratio fell on a number of large products generally and was favourably affected, among other things, by the continuing in 2019 of recent years' trend of a decline in the number of burglary and theft claims, with Alm. Brand recording the lowest level of burglary claims in more than eight years. However, the claims ratio was adversely affected by a general increase in commercial building claims expenses, with a particularly steep increase in concealed pipework claims.

The run-off result on claims net of reinsurance was a gain of DKK 91 million, against DKK 95 million in 2018, mainly attributable to a positive result on motor and personal accident insurance.

The change in the overall risk margin affected the 2019 performance by an income of DKK 3 million, equivalent to a favourable effect of 0.1 of a percentage point on the combined ratio.

COMMERCIAL

The technical result was a profit of DKK 224 million in 2019, against a profit of DKK 351 million in 2018. Including extraordinary costs, the technical result was a profit of DKK 201 million.

Commercial

DKKm	2019	2018
Gross premium income	2,670	2,604
Gross claims expenses	-1,842	-1,665
Insurance operating expenses	-417	-394
Profit/loss on reinsurance	-187	-194
Technical result	224	351
Run-off result, claims	-14	101
Run-off result, risk margin	39	42
Gross claims ratio *)	69.0	64.0
Net reinsurance ratio	7.0	7.4
Claims experience *)	76.0	71.4
Gross expense ratio *)	15.6	15.1
Combined ratio *)	91.6	86.5

*) Net of extraordinary costs in a total amount of DKK 23 million, equivalent to an impact of 0.9 of a percentage point on the combined ratio

The combined ratio was 91.6, which was higher than expected and 5.1 percentage points higher than in 2018, being favourably affected by fewer expenses for weather-related claims, but adversely affected by a lower level of run-off gains.

Premium income was up by 2.6% to DKK 2,670 million, which was in line with expectations. Competition from Danish players in the commercial customer market is generally fierce, including within sales of insurances for productive farms.

The customer retention rate remained at a high level.

The claims experience excluding run-off gains on claims was 75.4% in 2019, against 75.3% in 2018.

Net of reinsurance, total weather-related claims amounted to DKK 97 million, which was DKK 57 million more than in 2018. The higher expense was primarily due to a high frequency of lightning claims in early June and several heavy rain and local cloudburst incidents in June, August and September.

Weather-related claims affected the combined ratio by 3.6 percentage points in 2019, against 1.5 percentage points in 2018.

Expenses for major claims were DKK 251 million net of reinsurance, affecting the combined ratio by 9.4 percentage points, which was in line with expectations. In 2018, expenses for major claims were DKK 305 million net of reinsurance and affected the combined ratio by 11.7 percentage points.

The underlying claims ratio was 62.1 in 2019, which was slightly better than expected and on a par with 2018. In 2019, Alm. Brand continued to grow in lines which are less prone to the risk of weather-related and major claims and for which Alm. Brand therefore accepts an above-average underlying claims ratio for the portfolio. However, in some parts of the portfolio profitability is still not satisfactory, and Alm. Brand therefore in 2019 tightened the terms for commercial customers on selected building insurances in the residential segment by introducing higher premiums and higher deductibles. These profitability-enhancing measures are expected to continue in 2020. In addition, individual price adjustments have been implemented on commercial motor insurance and workers' compensation insurance for customers who, from a risk perspective, were not paying the right price. The claims ratio for the year was moreover adversely affected by interest rate developments and by a general

increase in building insurance claims expenses, including in particular claims related to damage caused by concealed pipework.

The run-off result on claims net of reinsurance amounted to a loss of DKK 14 million, against a gain of DKK 101 million in 2018. Run-offs were adversely affected by a change in the processing of industrial injury cases by Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*) as well as by a number of large personal injury claims on motor liability insurance. The change in the overall risk margin affected the performance by an income of DKK 4 million, equivalent to a favourable effect of 0.1 of a percentage point on the combined ratio.

The net reinsurance ratio was 7.0 in 2019, against 7.4 in 2018. The level of the net expense for reinsurance in 2019 was a result of the positive fact that there were no claims events large enough to trigger compensation under the reinsurance programme.

INVESTMENT RESULT

The investment result after interest on technical provisions was a gain of DKK 37 million in 2019, against a loss of DKK 33 million in 2018. The 2019 performance was satisfactory in light of the very low interest

Investment return

DKKm	2019			2018		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	8,715	121	1.4%	8,480	-4	0.0%
Mortgage deeds etc.	803	6	0.6%	941	13	1.3%
Equities	214	50	28%	212	-18	-7.9%
Properties	50	3	9.4%	13	0	0.6%
Total return on investments	9,782	180	1.8%	9,646	-9	-0.1%
Administrative expenses related to investment activities		-27			-27	
Capital gains related to the discounting of technical provisions		-163			14	
Interest on technical provisions		47			-11	
Net investment return		37			-33	

rate level and the fact that the change in the calculation of the VA premium at the beginning of the year resulted in an extraordinary expense of about DKK 25 million.

The investment assets are distributed on Danish and international bonds, mortgage deeds and equities and a small portfolio of properties and property funds. The goal is to achieve a satisfactory financial risk/

return ratio. The financial risk is adjusted using derivative financial instruments.

The bond portfolio is placed in Danish government and mortgage bonds and European corporate bonds, and derivative fixed-income instruments are moreover used for general portfolio management purposes. Investments in government and mortgage bonds are predominantly placed in issues carrying the highest

rating, whereas investments in corporate bonds are placed in the investment grade segment, i.e. investments carrying a rating of at least BBB-/Baa3.

The return on bonds not attributable to the hedging of provisions contributed negatively to the overall investment result. The low interest rate level and the large remortgaging rounds detracted from the return, whereas the bond portfolio investments were favourably affected by the interest rate declines in 2019.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve including a volatility adjustment (VA) premium. The asset portfolio for the hedging of interest rate risk on provisions is composed so as to match the fluctuations on provisions occurring in step with market changes in the underlying components of the yield curve. The hedging strategy produced a satisfactory result throughout 2019, and the overall result of the hedging portfolio and value adjustment of provisions was positive.

The mortgage deed portfolio includes an option agreement protecting Alm. Brand Forsikring against credit losses, as Alm.

Brand Forsikring can sell back mortgage deeds to Alm. Brand Bank if mortgage deed debtors default on their payment obligations.

The result of the mortgage deed portfolio fell short of expectations, as the low interest rate level drove up the volume of redemptions, thereby triggering capital losses.

Alm. Brand Forsikring has limited exposure to equities, consisting primarily of equity futures on international equity indices and a small proportion of strategic equities that support the business. The return on the global equity market was positive in 2019 and contribute favourably to the performance.

FINANCIAL RESULTS FOR Q4

The group's non-life insurance activities generated a pre-tax profit of DKK 151 million in Q4 2019, against DKK 92 million in Q4 2018. Including extraordinary costs, the pre-tax profit amounted to DKK 107 million in 2019.

The performance was favourably affected by a generally good claims experience and a strong investment result as compared with the year-earlier period, but adversely affected by run-off losses on workers' compensation insurance.

The technical result was a profit of DKK 98 million in Q4 2019, against DKK 124 million in Q4 2018, corresponding to a combined ratio of 92.9 in 2019, against 90.7 in 2018. The result was adversely affected by run-off losses equalling 2.9 percentage points.

Premium income rose by 2.2% to DKK 1,358 million in Q4 2019 from DKK 1,329 million in the same period of last year.

Weather-related claims totalled DKK 21 million in Q4 2019, against the exceptionally low level of DKK 7 million in Q4 2018. The fourth quarter of 2019 was favourably affected by a rainy autumn without any severe cloudbursts or major windstorms, which meant significantly fewer-than-expected expenses for weather-related claims. Weather-related claims affected the combined ratio by 1.5 percentage points in Q4 2019, against 0.5 of a percentage point in Q4 2018.

Major claims totalled DKK 88 million in Q4 2019, against DKK 124 million in Q4 2018. The number of major claims was higher than anticipated, but with a low average claims expense, and major claims expenses therefore came out slightly below the expected level in Q4 2019. Overall, major claims expenses affected the combined ratio by 6.5 percentage points in Q4 2019

(Q4 2018: 9.3 percentage points), which was lower than the expected full-year level of 7-8 percentage points.

The combined ratio of the underlying business was 82.4 in Q4 2019, against 82.0 in Q4 2018. The underlying claims ratio of the portfolio was generally in line with expectations and improved relative to last year, but it included an unfavourable claims experience on the small portfolio of health and personal accident insurances. The declining interest rate level also detracted from performance.

Combined ratio

	Q4 2019	Q4 2018
Combined ratio, underlying business *)	82.4	82.0
Weather-related claims, net of reinsurance	1.5	0.5
Major claims, net of reinsurance	6.5	9.3
Reinstatement premium	0.0	0.0
Run-off result, claims	2.9	-1.1
Change in risk margin, run-off result and current year	-0.4	0.0
Combined ratio *)	92.9	90.7

*) Net of extraordinary costs in a total amount of DKK 44 million, equivalent to an impact of 3.2 percentage points on the combined ratio

The run-off result on claims net of reinsurance was a loss of DKK 41 million in Q4 2019, against gain of DKK 13 million in Q4 2018. The negative run-off result in Q4 2019 was due to provisions to cover workers' compensation claims in individual cases.

The expense ratio was 17.0 in Q4 2019, against 17.5 in Q4 2018. Including extraordinary costs, the expense ratio was 18.7 in 2019.

The investment result was a gain of DKK 53 million in Q4 2019, against a loss of DKK 32 million in the year-earlier period. The Q4 2019 investment return was favourably affected by rising equity prices and rising interest rates. The hedging of provisions made for a satisfactory result and provided protection against fluctuations in the fixed-income market, while the volatility adjustment (the VA premium) increased by 13 basis points over the quarter, which had a favourable effect on the investment result.

MAJOR EVENTS

Changes to the Management Board

In November 2019, Executive Vice President Jesper Mørch Sørensen chose to retire after 15 years with Alm. Brand Forsikring A/S. The Board of Directors of Alm. Brand Forsikring A/S has appointed Rasmus Werner Nielsen, CEO of Alm. Brand A/S, as Managing Director of Alm. Brand Forsikring A/S.

EVENTS AFTER THE BALANCE SHEET DATE

Minor change in the calculation of solvency capital requirement

Effective from 1 January 2020, EIOPA introduced a minor amendment to the rules on calculation of the solvency capital requirement (SCR), which has a minor impact on Non-life Insurance. The change consists partly in an adjustment of certain parameters used in the calculation of health risk and partly in a change of the requirements for recognition of deferred tax in the SCR. ■



Non-life Insurance

	DKKkm	2019	Q4 2019	2018	2017	2016	2015
INCOME STATEMENT	Gross premium income	5,365	1,358	5,274	5,157	5,028	5,061
	Claims expenses	-3,616	-968	-3,436	-3,264	-3,034	-3,018
	Insurance operating expenses	-933	-231	-908	-901	-851	-807
	Profit/loss on reinsurance	-246	-61	-245	-187	-247	-245
	Technical result	570	98	685	805	896	991
	Interest and dividends, etc.	136	34	146	188	217	237
	Capital gains and losses	-155	97	-155	-23	22	-253
	Administrative expenses related to investment activities	-27	-7	-27	-33	-32	-30
	Return on and value adjustment of technical provisions	-116	123	3	-20	-136	7
	Investment return after return on and value adjustment of technical provisions	37	53	-33	112	71	-39
	Profit before tax excluding extraordinary costs	607	151	652	917	967	952
	Extraordinary costs	-44	-44	-	-	-	-
	Profit/loss before tax	563	107	652	917	967	952
	Tax	-127	-24	-139	-196	-204	-214
	Profit/loss after tax	436	83	513	721	763	738

	DKKkm	2019	Q4 2019	2018	2017	2016	2015
BALANCE SHEET	Run-off result, claims	77	-41	196	274	398	429
	Run-off result, risk margin	65	13	72	48	48	56
	Total provisions for insurance contracts	7,375	7,375	7,147	7,203	7,239	7,397
	Insurance assets	148	148	148	141	170	227
	Total shareholders' equity	2,426	2,426	2,400	2,493	2,587	2,750
	Total assets	10,721	10,721	10,553	10,702	10,808	11,114
FINANCIAL RATIOS	Gross claims ratio *)	67.4	71.4	65.2	63.3	60.4	59.6
	Net reinsurance ratio	4.6	4.5	4.6	3.6	4.9	4.9
	Claims experience *)	72.0	75.9	69.8	66.9	65.3	64.5
	Gross expense ratio *)	17.4	17.0	17.2	17.5	16.9	15.9
	Combined Ratio *)	89.4	92.9	87.0	84.4	82.2	80.4
	Combined ratio excluding run-off result *)	90.8	90.0	90.7	89.7	90.1	88.9
	Combined ratio	90.2	96.1	87.0	84.4	82.2	80.4
	Return on equity before tax (%) *)	24.1	18.0	28.4	38.5	38.6	38.2
	Return on equity after tax (%) *)	18.6	13.9	22.3	30.6	30.5	29.6

*) The key ratios for 2019 have been calculated net of extraordinary costs totalling DKK 44 million before tax



Life Insurance

Life Insurance offers life insurance, pension savings and pension insurance with a particular focus on private individuals, owners and employees of small businesses, and farmers.

Financial ratios

Gross premiums

1,850
DKKm

Bonus rate

16.1
Per cent

Profit before tax

96
DKKm

Life Insurance based on *personal* advice



72,000

Customers

(Approx. 40% are also customers
of Non-life Insurance and/or Banking)



Private
customers

Commercial
customers

Agricultural
customers



37%

of total sales

Tied agents

*Facilitate customer contact to
consultants and handle more
simple pension schemes locally
at the customers' premises.*



59%

of total sales

Consultants

*Work closely with the
insurance agents and focus
on more complex
pension schemes.*

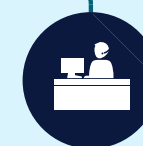


4%

of total sales

Branches

*Branch-based pension advisers
work closely with the bank
advisers who have the primary
contact to customers.*



**Customer service
centres**

*Provide customer service
and answer questions of a more
technical nature.*

Life Insurance

Satisfactory profit and continued growth in regular payments

MARKET

The pension market consists of three types of schemes:

- Unrestricted individual schemes paid either by employers or by private individuals;
- Mandatory or voluntary corporate schemes under which employees are covered by a pension agreement between their employer and a pension provider; and
- Labour market-related schemes for which membership of a particular pension company or pension fund is mandatory.

The product range comprises insurance cover and various types of savings. The main types of insurance are death cover, disability cover, critical illness cover and health insurance, while savings comprise retirement pension, instalment pension and annuity schemes.

Consolidation has been particularly prominent in the labour market pension area in recent years. Among other things, this is a trend driven by increased regulatory focus and the resulting administrative

burden. Consolidation has not been equally prominent in the commercial market, but administrative burdens have increased to the same extent. Alm. Brand Pension has addressed this trend through its growth strategy, and efforts are continuously made to achieve synergies from sharing functions with the rest of the Alm. Brand Group.

The vast majority of the market is based on the principle of tax deductibility at the time of payment and taxation at the time of disbursement. In recent years, the tax deductibility options have been significantly reduced. In 2019, annuity pension schemes were fully deductible, while instalment pension schemes were subject to a maximum deductible amount of DKK 55,900, and retirement pension ceased to be tax deductible.

In recent years, a number of pension companies have increasingly urged their customers to convert existing schemes into market rate products, which will typically ease the company's provisioning requirement. Some companies have even opted to stop writing business in average rate products. Alm. Brand Pension has opted to continue to offer both the aver-

age rate product with guaranteed benefits and market rate products offered through Alm. Brand Bank. The average rate product provides greater security for policyholders, and because of the company's strong investment buffers, the product is highly competitive relative to market rate products in the current interest rate setting.

Sustained low interest rate level

In spite of the very low interest rate levels seen throughout Europe, Alm. Brand Pension has maintained a high bonus rate. As a result of the interest rate level, the company has chosen to introduce a new basis for writing business based on a rate of interest of 0%. New business written after 1 January 2020 is written on this basis in a new interest rate group, interest rate group A.

Alm. Brand Pension still uses bonus to strengthen the basis for new business written. This means that, at the end of the year, just over 85% of the former group for new business written will be transferred to the new interest rate group A – taking their fair share of the buffers with them. The new interest rate group therefore has quite extensive freedom to invest through the buffer level achieved. This means that, for this group, attractive investments may still be made with a fair share of higher-risk assets with a view to generating a good return for the policyholders.

The rate on policyholders' savings is 2.5% in 2020.

The company continues to offer a rate on policyholders' savings of 2.5% for new customers in 2020 – the highest rate in the market. This means that for the seventh year running, Alm. Brand Pension is the market leader in terms of generating return for policyholders with average rate products. This supports the company's growth ambitions, which are focused in particular on the corporate pensions market. As a result of the company's strong financial position, the solvency capital requirement was stable throughout the period.

FINANCIAL RESULTS FOR FY2019

The pre-tax profit excluding extraordinary costs totalled DKK 96 million in 2019, in line with expectations. The profit was DKK 8 million lower than in 2018, which was characterised by exceptionally large gains on the risk result. The full-year performance was satisfactory.

The expense and risk result was DKK 53 million, against DKK 70 million in 2018.

The result should be seen in light of the exceptionally favourable risk developments in 2018.

The total profit for 2019 also comprises extraordinary restructuring costs of DKK 5 in total, bringing the pre-tax profit to DKK 91 million.

The year was characterised by a significant interest rate decline, as a result of which the expected level of return will be lower going forward. Therefore, the bonus rate was reduced, and a new interest basis reflecting the low interest rate level has been introduced as a consequence.

The bonus rate remains among the best in the market at a total of 16.1%, enabling Alm. Brand Pension to continue to offer one of the highest rates on policyholders' savings in the market. Offering a rate on policyholders' savings of 2.5% in 2020, Alm. Brand Pension is the market leader for the seventh year running in terms of delivering policyholder returns.

The company's total assets under management grew by 12%, from DKK 14.5 billion in 2018 to DKK 16.2 billion in 2019.

The increase was attributable partly to a high investment return driven by declining interest rates and partly to a sustained

high level of pension contributions from policyholders.

Pension contributions

Total premium income for the year was DKK 1,850 million, against DKK 2,004 million in 2018, being favourably affected by continued growth in regular premiums, whereas a lower level of single payments detracted from performance.

Regular premiums increased by 4.7% to DKK 803 million in 2019, against DKK 766 million in 2018, which was below the target level of 7-8%. Measured in terms of the portfolio premium, the volume increased by 6.3% in 2019.

The increase in regular premium payments was driven by a sustained favourable trend in the corporate customer segment in particular, which should be seen in the light of several strategic initiatives which have contributed to supporting developments, including easier access for customers through a digitised and simplified underwriting process and the fact that Life Insurance has adjusted its pricing of selected products in order to strengthen competitiveness.

Single payments amounted to DKK 1,047 million, against the exceptionally high level of DKK 1,238 million in 2018.

As compared with 2017, which provides a better basis of comparison, single payments have increased by more than 50%.

Benefits paid

Benefits paid totalled DKK 1,034 million, against DKK 1,030 million in 2018. The unchanged level was positive in light of the growing portfolio and reflected a continued increase in customer loyalty.

Risk result

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 44 million, against DKK 62 million in 2018. This was primarily due to a lower mortality risk result. The risk result is still considered to rank among the best in the industry.

Costs

Acquisition costs and administrative expenses excluding extraordinary costs totalled DKK 101 million in 2019, against DKK 99 million in 2018. This increase was partly due to the sales growth of Life Insurance and partly due to one-off investments in IT systems to support a good advisory process and ensure that Life Insurance is compliant with the upcoming calculation requirements for provisions under Solvency II by end-2022 at the latest. Including extraordinary costs, costs totalled DKK 106 million.

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 9 million in 2019, which was DKK 1 million higher than in 2018. The expense result for the year was satisfactory in light of the fact that Life Insurance has some of the industry's lowest costs for average rate products.

Reinsurance

Reinsurance expenses came to a net amount of DKK 4 million in 2019, which was unchanged from 2018 and marked a satisfactory performance considering the reduction in risk and, by extension, in fluctuations of the company's results from reinsurance.

Investment return on assets allocated to equity

The return on investment assets allocated to equity was a loss of DKK 3 million. This was in line with expectations, given the challenging investment environment with negative short-term interest rates and the fact that the return on assets allocated to equity included interest expenses for subordinated loans with a principal of DKK 150 million.

Investment return on policyholders' funds

Total investment assets belonging to policyholders amounted to DKK 16.4 billion at 31 December 2019. The investment assets are placed in bonds, equities and property.

Investment return

	Investment assets	Return 2019	Return 2018
DKKbn			
Bonds	12,821	6.8%	0.8%
Equities	1,888	26.1%	-9.7%
Properties	1,732	9.2%	8.5%
Total	16,441	9.3%	-0.1%

The return on investment assets belonging to policyholders was approximately DKK 1.3 billion before pension return tax, corresponding to a return of 9.3%, against a return of minus 0.1% in 2018.

From an overall perspective, the return for the year was satisfactory. The investment return was impacted by the large increases in the equity markets, significant interest rate declines and narrowing spreads on credit bonds and emerging market bonds. Shares, properties and

bonds yielded positive returns. In addition to rental income on the property portfolio, a revaluation of the property portfolio was conducted.

The property exposure was increased in 2019 through European property funds, ensuring a better risk balance in the portfolio.

Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted by the yield curve for discounting provisions published by EIOPA. The 10-year point on the yield curve was at 0.30% at 31 December 2019, against 1.17% at 1 January 2019. The underlying risk-free rate of interest dropped in 2019, while the VA premium

dropped by 25 basis points, making for a fall in the aggregate EIOPA yield curve. The investment rate decline had an adverse impact on life insurance provisions, which was partly offset by positive returns on the investment assets, however.

Life insurance provisions

Total life insurance provisions grew by DKK 1.8 billion to DKK 15.9 billion in 2019. The increase was attributable to the investment return achieved for 2019 as well as to the net inflow of pension funds.

Profit margin

The profit margin fell by DKK 70 million over the year, from DKK 427 million at 1 January 2019 to DKK 357 million at 31

December 2019. The decline was due to a calculation adjustment made to better reflect the very low interest rate environment.

Bonus rate

The total bonus rate was 16.1% at 31 December 2019, against 18.6% at 1 January 2019, marking a decline of 2.5 percentage points.

The dip was due to the interest rate declines in 2019, as a result of which the expected level of return will be lower going forward. In 2020, new customers will be placed in a newly established interest rate group A, for which the bonus rate is on a par with interest rate group 0 at year-end.

	U74*	Interest rate group A	Interest rate group 0	Interest rate group 1	Interest rate group 2	Interest rate group 3	Total
Technical rate of interest (% p.a.)		0-0.5	0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Investment assets (DKKbn)	-		12.2	1.0	1.1	2.1	16.4
Rate on policyholders' savings 2019 (% p.a.)		-	3.50	5.50	5.50	6.00	
Rate on policyholders' savings 2020 (% p.a.)		2.50	2.50	5.50	5.50	6.00	
Bonus rate (%)			16.3	19.9	13.0	15.2	16.1
Return (% p.a.)	2.7		10.3	8.6	5.5	7.3	9.3
Distribution of investment assets (%):							
Bonds	100		76	76	86	88	78
Equities	0		13	13	5	5	12
Properties	0		11	11	9	7	10

*Portfolios without bonus entitlement

In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was at a highly satisfactory 15.2% at 31 December 2019. This group continues to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments in order to strike a healthy balance between the group's investments and liabilities.

The collective bonus potentials are calculated per contribution group and remained satisfactory at 31 December 2019.

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

FINANCIAL RESULTS FOR Q4

Life Insurance generated a pre-tax profit excluding extraordinary costs of DKK 25 million in Q4 2019, against DKK 22 million in Q4 2018.

The Q4 2019 performance was overall in line with expectations, driven mainly by a positive risk result and business growth, which resulted in decent earnings from cost contributions.

As a result of the combination of increasing interest rates in Q4 2019, favourable equity market developments and an adjustment of the value of property investments of approximately DKK 70 million, the bonus rate increased by 4.7 percentage points from 11.4% to 16.1% at 31 December 2019. The bonus rate remains one of the highest in the market, enabling Life Insurance to offer a competitive rate on policyholders' savings.

Total pension contributions fell by 19% to DKK 453 million in Q4 2019 from DKK 561 million in Q4 2018, composed of an increase in regular premiums of 5% and a decline in single payments of 34%. The decline in single payments was due to a lower rate on policyholders' savings than in 2018, but the performance was still 22% higher than in 2017, which provides a better basis of comparison.

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 12 million, against DKK 11 million in Q4 2018.

Acquisition costs and administrative expenses totalled DKK 23 million in Q4 2019, against DKK 27 million in Q4 2018. Including extraordinary costs, costs amounted to DKK 28 million in Q4 2019.

The expense result was DKK 3 million in Q4 2019, an increase of DKK 2 million relative to Q4 2018.

The return on investment assets belonging to policyholders was a loss of DKK 201 million before tax on pension returns in Q4 2019, corresponding to a return of minus 1.2%.

Investment return

DKKkm	Investment assets	Return Q4 2019	Return Q4 2018
Bonds	12,821	-3.1%	0.6%
Equities	1,888	7.2%	-14.2%
Properties	1,732	4.8%	4.9%
Total	16,441	-1.2%	-1.4%

The return on customer investment assets was favourably affected by equity market developments, while bonds contributed negatively due to interest rate increases across most bond markets. In addition to rental income on the property portfolio, a revaluation to market value was conducted in Q4 2019, resulting in a Q4 return of 4.8% on the property investments.

CONTRIBUTIONS TO BANK PENSION SCHEMES

In addition to making payments in Life Insurance, customers have the option of paying into market-based investment schemes with the bank. Total payments into schemes with the bank amounted to DKK 230 million in Q4 2019, against DKK 235 million in Q4 2018. DKK 57 million of the total payments made into schemes with the bank related to the OpsparingPlus product, as compared with DKK 49 million in 2018.

Total pension assets related to pension schemes with the bank amounted to DKK 7.8 billion at 31 December 2019, against DKK 6.9 billion at the year-earlier date, an increase of DKK 0.9 billion. This increase was predominantly attributable to the investment returns achieved in 2019.

OTHER EVENTS

New forecast assumptions

Long-term interest rates dropped significantly in 2019, but have moved a bit higher since the late summer low. The Danish Pension Forecast Council, which is in charge of determining the pension industry's common societal assumptions used in the calculation of pension customer forecasts, has therefore downgraded expectations for achievable returns going

forward. This means that, in future, customers have to save up more if they want to achieve the same financial position in retirement as previously.

An agreement has been made in the pension industry that the forecast used by a pension company to calculate a customer's pension benefits must be supplemented by an assessment of forecast uncertainty. This is done to better be able to compare offers from different companies – and not least to be able to illustrate the difference between market rate products, for which the customer bears the risk on the investment side, and guaranteed products, for which the customer obtains certainty for the size of his or her pension. Life Insurance implemented this effective from 1 January 2020 in order for its customers to be able to better see the value of an average rate product in connection with an offer.

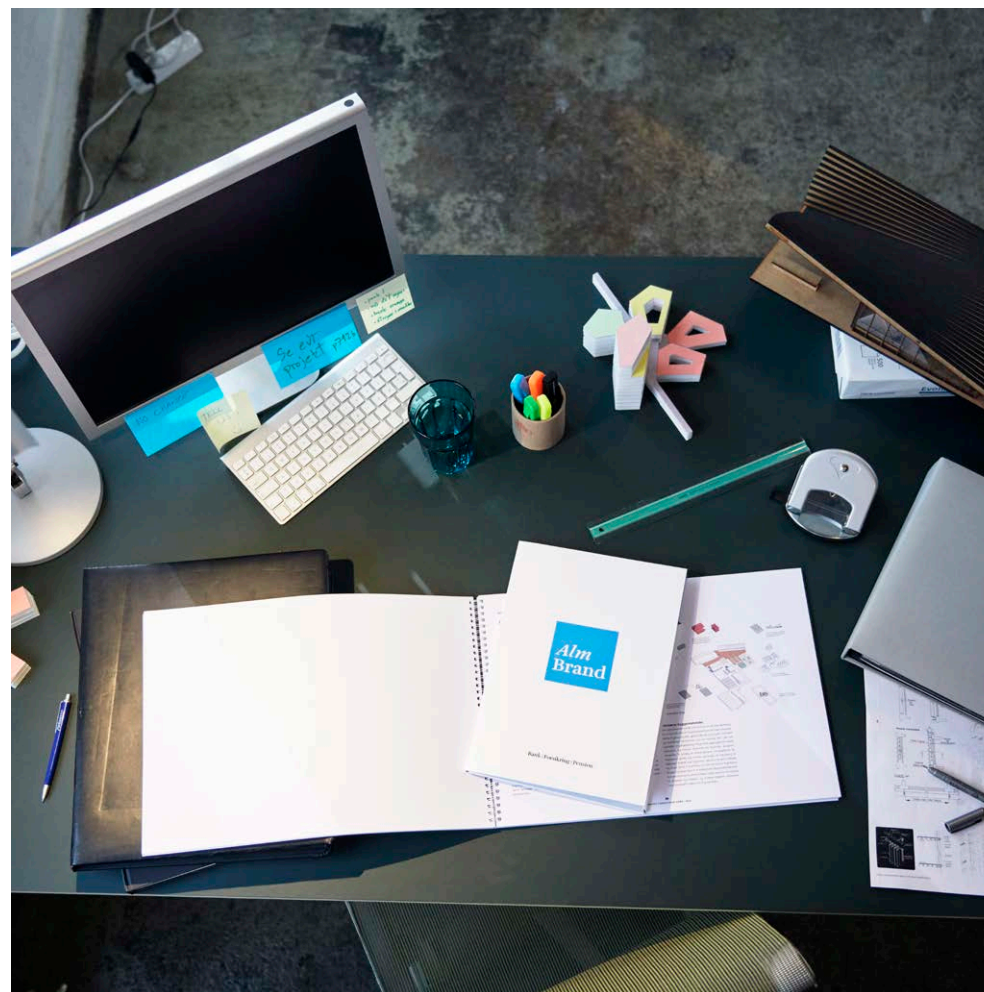
Major events

Rate on policyholders' savings for 2020

In December 2019, Life Insurance announced that the company will continue to offer one the market's highest rates on policyholders' savings in the coming year. For 2020, the rate on policyholders' savings has been fixed at 2.5% for new customers.

New basis for writing business

As a result of the very low interest rate level, Life Insurance has applied to use a new underwriting basis with effect from the turn of the year, as a result of which, going forward, new customers will be placed in a newly established interest rate group (A) applicable to customers with a technical rate of interest of up to 0.5%. The establishment of this new interest rate group will not change the competitive situation in terms of the ability to offer new customers an attractive rate of interest compared to the industry in general. ■



Life Insurance

	DKKkm	2019	Q4 2019	2018	2017	2016	2015
INCOME STATEMENT	Premiums	1,850	453	2,004	1,394	1,281	1,311
	Investment return after allocation of interest	1,131	-174	-41	735	697	132
	Benefits paid	-1,034	-269	-1,030	-1,032	-970	-1,103
	Insurance operating expenses	-101	-23	-99	-99	-101	-84
	Profit/loss on reinsurance	-4	0	-4	-3	-4	-4
	Change in life insurance provisions	-1,813	-13	-687	-871	-799	-121
	Change in profit margin	70	53	-35	-31	-27	-
	Change in collective bonus potential	-	-	-	-	-	-30
	Government tax on unallocated funds	-	-	-	-	-	-22
	Technical result	99	27	108	93	77	79
	Return on investment allocated to equity	-3	-2	-4	0	7	-1
	Profit before tax excluding extraordinary costs	96	25	104	93	84	78
	Extraordinary costs	-5	-5	-	-	-	-
	Profit/loss before tax	91	20	104	93	84	78
	Tax	-9	-2	-25	-16	-10	-1
	Profit/loss after tax	82	18	79	77	74	77
Return requirement for shareholders' equity							
	Return on investment allocated to equity	-3	-2	-4	0	7	-1
	Result of portfolios without bonus entitlement	5	1	1	14	1	6
	Gruppeliv	12	4	10	7	8	17
	Interest result	29	7	27	25	21	17
	Expense result	9	3	8	-13	-16	-9
	Risk result	44	12	62	60	63	48
	Profit before tax excluding extraordinary costs	96	25	104	93	84	78
	Extraordinary costs	-5	-5	-	-	-	-
	Profit/loss before tax	91	20	104	93	84	78

	DKKkm	2019	Q4 2019	2018	2017	2016	2015
BALANCE SHEET	Total provisions for insurance contracts	16,218	16,218	14,479	13,758	12,853	12,030
	Total shareholders' equity	626	626	634	800	848	844
	Total assets	18,239	18,239	15,927	15,244	14,394	13,908
FINANCIAL RATIOS	Return on equity before tax (%) *)	15.6	16.0	16.0	11.2	10.1	9.6
	Return on equity after tax (%) *)	13.9	14.1	12.2	9.2	8.9	9.3
	Bonus rate	16.1	16.1	18.6	23.6	20.1	9.7

*) Return on equity for 2019 has been calculated net of extraordinary costs totalling DKK 5 million before tax

Banking

Alm. Brand Bank has nation-wide coverage and is focused on providing banking products and services to private customers and small and medium-sized enterprises, bond, equity and currency trading, private banking and asset management services as well as leasing of cars to private and commercial customers.

Financial ratios

Income

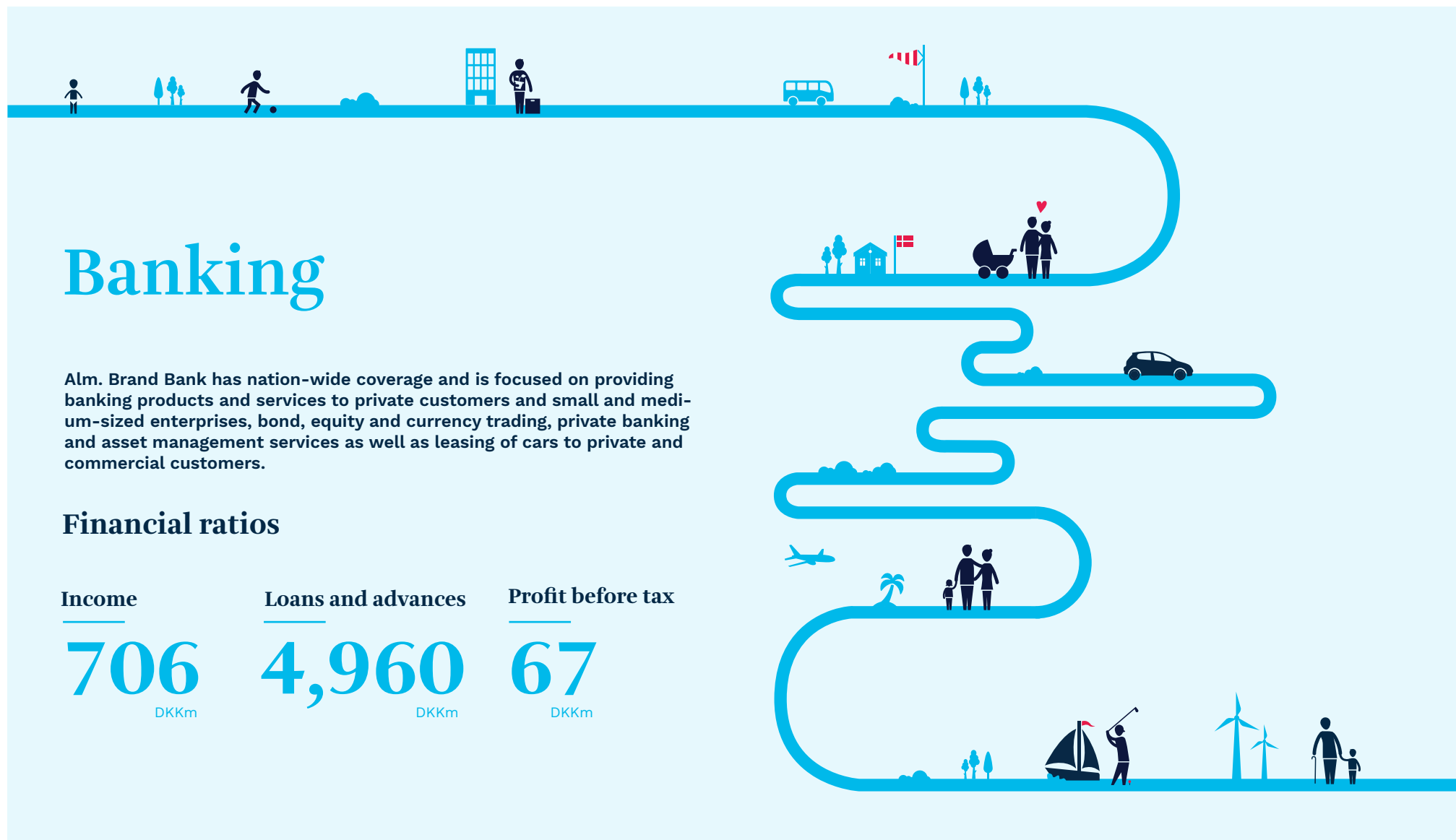
706
DKKm

Loans and advances

4,960
DKKm

Profit before tax

67
DKKm



Helping customers *every* day



Financial Markets

- Approx. DKK 45 billion in asset under management
- Unique trading platform, Alm. Brand Trader



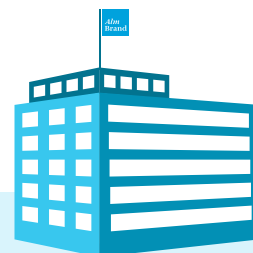
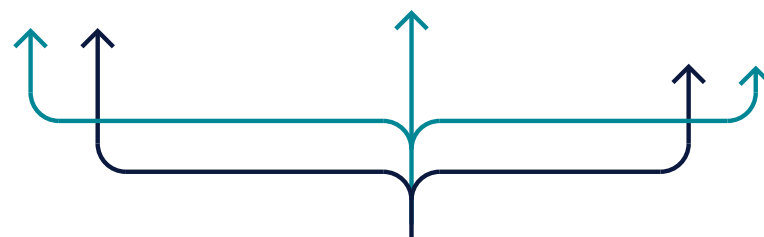
Retail

- Lending DKK 5.0 billion.
- Loans under Totalkredit facilities DKK 16.9 billion



Leasing

- Portfolio of DKK 943 million, 8,000 leased cars



Bank



Commercial customers



Private customers

63,000
Customers

(40% are also customers of
Non-life Insurance and/or Life Insurance)

Increased business volume challenged by low interest rate setting and rising IT costs

MARKET Retail

A overall positive trend in Danish macro-economics throughout 2019 continued to provide a favourable economic framework for the bank's retail customers. The combination of low interest rates and favourable economic conditions in 2019 improved the profitability of many of the bank's commercial customers and generally ensured more financial leeway for many of the bank's private customers.

In particular, the bank's private customers benefited from a continued decline in interest rates, which dipped to new lows in 2019. As a result, many customers chose to convert their existing mortgage loans or bank loans to new fixed-rate mortgage loans. The year thus saw two major remortgaging and conversion waves. Some private customers also chose to utilise their home equity to raise top-up loans.

Throughout 2019, the bank experienced a strong borrowing appetite among its customers. However, this trend was offset by a correspondingly strong appetite for making extraordinary payments on and redeeming bank loans.

The continued decline in interest rates put bank interest margins under pressure throughout the year. After some hesitation, the banking sector has now responded, and a number of banks, including Alm. Brand Bank, have introduced negative interest rates on deposits, also for private customers.

Leasing

The leasing market experienced growth in both the commercial customer segment and the private customer segment in 2019. In 2019, approximately 45% of all new cars were financed by way of a lease agreement, and the leasing market's share of the total new car market was thus the highest ever recorded.

Although the leasing market is characterised by fierce competition, Alm. Brand Leasing succeeded in increasing its market share of commercially leased vehicles and now holds a market share of about 5% of the commercial customer leasing market. The commercial customer leasing market totalled 78% of all new commercial vehicles in 2019. As a result of car dealers increasingly offering this form of financing to private customers independently, Alm. Brand Leasing lost market share in the market for private car leasing.

Financial Markets

The financial markets experienced quite substantial price increases across most asset classes, thereby quickly recovering from the negative developments that prevailed in late 2018. The combination of attractive pricing, less political turmoil in Europe and a constructive tone in the trade war between the USA and China contributed to restoring market optimism in 2019.

The European equity index EuroStoxx gained 25.1% (after having shed 15.3% in 2018), the US equity index S&P500 gained 24.8% (down 7.6%), and the Danish equity index OMX C25 rose 26.0% (down 13.2%), marking the best return since 2015.

2019 was generally a good year for the mortgage credit market, supported by brisk remortgaging and conversion activity as a result of steadily declining interest rates. Throughout the year, mortgage credit institutions responded to the sustained low interest rate level by launching new bond series with lower and lower coupons. New securities identification codes, a high percentage of prepayments and ordinary redemptions and resulting substantial reinvestment requirements drove up activity in the market. Foreign investors are increasingly attracted to the Danish mortgage bond market, and up to one third of all callable bonds are now held by foreign investors.

FINANCIAL RESULTS FOR FY2019

The bank reported a pre-tax profit excluding extraordinary costs of DKK 67 million in 2019, against DKK 26 million in 2018. The higher profit was driven by increased business volume, supported by strong trading and customer remortgaging activity. Although the profit was within the guided range of DKK 50-70 million, the profit composition was not satisfactory.

The total profit for 2019 also comprises extraordinary restructuring costs of DKK 51 in total, bringing the pre-tax profit to DKK 16 million. The extraordinary costs are composed of a DKK 21 million provision for restructuring costs and a DKK 30 million impairment writedown of the capitalised share of the Bankdata capital market programme.

The bank has achieved a growing business volume and a continued inflow of customers, but the continued negative interest rates have challenged the bank's earnings base. In Q4 2019, the bank therefore announced a number of changes to fees, interest rates and terms, all of which are intended to strengthen earnings. The changes comprise the introduction of negative interest rates on deposits of minus 0.75% for private customers with deposits in excess of DKK 750,000 as well as fees on the bank's basic products.

In combination, the implemented interest rate and fee initiatives and the cost savings are expected, in isolation, to lift the bank's pre-tax profit by approximately DKK 70 million going forward.

The year 2019 was characterised by a continued increase in banking activity, including brisk conversion and remortgaging activity as the bank's customers converted their bank loans to Totalkredit loans and used the low interest rate level to obtain fixed-rate loans. Moreover, 2019 was the first year in which the acquisition of most of Saxo Privatbank was recognised in the financial statements for a full 12-month period. Seen in isolation, the expected synergies were fully achieved in terms of both top line and costs. However, the synergies achieved were to some extent offset by higher costs for the bank's data centre, Bankdata, and the lower interest rate level.

The bank recorded a satisfactory trend in new lending in 2019, which was offset by sustained brisk loan repayment activity, conversion of bank loans to mortgage loans and generally lower borrowing requirements, all of which combined to result in an unchanged level of net lending. The number of Pluskunder, i.e. customers who have pooled all of their business with the bank, increased by 9%.

Income

The bank's income amounted to DKK 706 million in 2019, against DKK 614 million in 2018, marking an increase of DKK 92 million. The 2019 income included the full effect of the acquisition of the majority of Saxo Privatbank's activities, while the 2018 income only included earnings from the second quarter onwards. Total income was higher than expected, among other things as a result of a number of non-recurring factors.

Net interest and fee income was DKK 365 million in 2019, against DKK 343 million in 2018, which was less than expected. Throughout the year, the bank was impacted by an interest margin continuing to be under pressure. In addition, competition among banks for the most attractive customers remained intense.

Trading income increased by 50% to DKK 202 million, against DKK 135 million in 2018, which was in line with expectations. In Q2 2019, the bank insourced the flow of mortgage bond trading in connection with the raising of new mortgage loans, which was previously handled by the bank's business partner Totalkredit. The year was characterised by record-high remortgaging wave, resulting in substantial mortgage bond trading volumes and contributing some DKK 10-15 million to the bank's earnings.

Leasing generated net income of DKK 75 million in 2019, which was on a par with 2018, but slightly lower than expected. Commercial customer leasing reported continued growth, seeing a volume increase of 15%, and now constitutes the largest share of the leasing portfolio. Leasing has invested in a new IT system to support commercial customer servicing and provide an even better overview of the customers' mobility solutions.

Private customer leasing experienced a setback in spite of a growing total private leasing market, which, however, is characterised by private customer leasing increasingly being offered outside the sphere of traditional leasing companies.

Other income amounted to DKK 64 million in 2019, against DKK 61 million in 2018, comprising gains on a number of shareholdings and income related to the final settlement of the acquisition of the majority of Saxo Privatbank's activities.

Costs

Costs amounted to an aggregate of DKK 622 million in 2019, against DKK 598 million in 2018. The higher level of costs was mainly attributable to an increase in costs related to compliance and IT, including primarily costs related to development programs for the bank's data centre, Bank-

data, and internal system development to support new statutory requirements and digital solutions for customer-oriented platforms.

Including extraordinary costs, costs amounted to DKK 673 million in 2019.

Investment portfolio earnings

The bank's investment portfolio earnings for 2019 amounted to a DKK 60 million expense, against an expense of DKK 52 million in 2018. The performance was the result of the historically low interest rate level with negative interest rates combined with rising excess liquidity in the bank.

Impairment writedowns

The bank made a DKK 75 million reversal of impairment writedowns in 2019, against DKK 86 million in 2018. The trend from the past two years continued in 2019, with favourable economic conditions improving the financial position of private households and commercial customers. DKK 21 million of the reversed impairment writedowns was interest income from loans written down. The reversal of the remaining amount primarily related to a number of lending exposures which, through persistent efforts, were successfully redeemed.

Impairment writedowns

DKK m	2019	2018
Loans and advances		
Private	45	17
Commercial	11	59
Agriculture	37	35
Loan impairment charges	93	111
Mortgage deed option agreement ^{a)}	-18	-25
Total impairment writedowns (income)	75	86

^{a)} The impairment writedowns include credit-related value adjustments of mortgage deeds

Business volume

The bank's total business volume, comprising bank loans, mortgage loans and leasing activities, developed favourably in 2019 and totalled DKK 22.8 billion at 31 December 2019, against DKK 21.1 billion at 31 December 2018, equivalent to an increase of 7.5%.

The bank's loans and advances amounted to DKK 5.0 billion at 31 December 2019, which was unchanged from 31 December 2018. The development should be seen in the context of conversion of bank loans to mortgage loans in the amount of approximately DKK 100 million.

Retail

The group's strategy "*Alm. Brand for the Customer*" in 2019 resulted in progress in the collaboration across the group's business areas, which have all become better at referring customers internally. Accordingly, more than half of the bank's new customers are referrals from the group's other business areas.

The low interest rate level in 2019 enabled home owners to convert higher-interest or floating-rate loans to loans with low, fixed interest rates. A number of customers at the same time chose to utilise their home equity to raise top-up loans to obtain increased financial latitude or to make payments on higher-interest bank loans. The portfolio of Totalkredit loans grew by DKK 1.6 billion or 10.5% in 2019 to a total of DKK 16.9 billion. The very brisk conversion and remortgaging activity in 2019 affected the bank's income favourably, but conversions from floating-rate to fixed-rate loans on the other hand means a lower administration margin for customers going forward and thus less income for the bank.

Leasing

The leasing portfolio totalled DKK 943 million at 31 December 2019, distributed on some 8,000 lease agreements. From an overall perspective, leasing activities

have traced a stable development trend in recent years.

The leasing market developed favourably in 2019, with growth in both the commercial customer and the private customer segments, but the market is also extremely competitive. Alm. Brand Leasing succeeded in increasing its market share of commercially leased vehicles again this year to total about 5% of the commercial customer leasing market. The leasing company reported satisfactory growth in the inflow of commercial customers of 15%, with increases in orders for both passenger cars and commercial vehicles, and the bank expects this trend to continue in 2020. Due to the fierce competition, including an increase in the number of car dealers offering private car leasing of their own, Alm. Brand Leasing has experienced a decline in the portfolio of privately leased cars.

Agriculture

Pig breeders benefitted from favourable terms during parts of 2019 due to rising settlement prices as a result of the outbreak of swine fever in China. As the bank's customers begin to report earnings as a result of the good settlement prices, the bank's risk and impairment writedowns are expected to be reduced. Generally, grain and dairy producers are also doing well,

as prices have stabilised at a decent level. At 31 December 2019, gross lending in the agricultural portfolio amounted to DKK 449 million, with net lending at DKK 85 million, marking a significant reduction of the portfolio.

Financial Markets

Throughout 2019, Financial Markets experienced a high level of activity with rising trading volumes and sustained growth in the sale of actively managed investment

mandates, following a period of customers preferring passively managed solutions.

In addition, more customer relationships were established with high net worth clients contributing a greater business volume than previously as a result of the fact that the bank is now able to offer a combined solution comprising Private Banking, Alm. Brand Trader and Asset Management. At the same time, both existing and potential customers are seen to attach great importance to the bank's ESG focus (sus-

tainability), which in several cases was the factor that made them choose Alm. Brand Bank.

Deposits

The bank's deposits totalled DKK 10.8 billion at 31 December 2019, against DKK 10.5 billion at 31 December 2018. The bank has a substantial deposit surplus of DKK 5.8 billion, which, based on the money market conditions that prevailed throughout the year, resulted in a loss for the bank of DKK 25-30 million in 2019.

Liquidity

At 31 December 2019, the liquidity coverage ratio (LCR) was 386%.

FINANCIAL RESULTS FOR Q4

The bank generated a pre-tax profit excluding extraordinary costs of DKK 22 million in Q4 2019, as compared with a DKK 14 million loss in Q4 2018. The profit was affected in particular by capital gains on shares and income related to the final settlement of the acquisition of the majority of Saxo Privatbank's activities.

Income

Net interest and fee income amounted to DKK 95 million in Q4 2019, which was on a par with Q4 2018 and below the expected level. The intensified competition for the best banking customers put the interest

margin under pressure. In Q4 2019, the bank announced the introduction of negative interest rates on deposits and fee changes. Seen in isolation, these initiatives are expected to improve the bank's earnings going forward by about DKK 40 million annually.

Trading income amounted to DKK 50 million in Q4 2019, against DKK 31 million in Q4 2018. The mortgage bond trading volume normalised after two large remortgaging waves in Q2 and Q3 2019, but the bank on the other hand reported record-high sales of portfolio management solutions for private customers through direct sales as well as through tied agent referrals.

Leasing reported net income of DKK 19 million in Q4 2019, which was on a par with Q4 2018, but slightly below the expected level.

Other income amounted to DKK 38 million in Q4 2019, against DKK 11 million in Q4 2018. The increase was driven predominantly by capital gains on shareholdings and the recognition of the final settlement of the acquisition of the majority of Saxo Privatbank's activities.

Costs

Costs amounted to DKK 165 million in Q4 2019, against DKK 162 million in Q4 2018,

Credit exposure after writedowns

DKKmn	Share of portfolio in %	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Loans and advances						
Private	64	3,694	3,772	3,815	3,801	3,745
Commercial	16	935	1,008	877	880	942
Agriculture	2	85	97	103	122	118
Total loans and advances	82	4,714	4,877	4,795	4,803	4,805
Mortgage deed option agreement	14	803	848	888	908	941
Reverse transactions and intra-group exposures	4	246	184	5	256	150
Total credit exposure	100	5,763	5,909	5,688	5,967	5,896

the increase being mainly attributable to continued high costs for the bank's data centre, Bankdata.

Including extraordinary costs, costs amounted to DKK 216 million.

Investment portfolio earnings

Investment portfolio earnings were a loss of DKK 24 million in Q4 2019, against a loss of DKK 18 million in Q4 2018. The performance was attributable to a combina-

tion of the placement requirement of the bank's excess liquidity and the historically low money market rates.

Impairment writedowns

The bank made a DKK 17 million reversal of impairment writedowns in Q4 2019, against DKK 21 million in Q4 2018. Like the impairment writedowns made in the first three quarters of the year, the reversals were attributable to favourable economic conditions. DKK 5 million of the reversed

impairment writedowns related to interest income from loans written down. The reversal of the remaining amount primarily related to a number of lending exposures which were successfully redeemed.

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 1,736 million at 31 December 2019, against DKK 1,946 million at 31 December 2018. The capital reservation equalled 28% of the credit exposure, against 27% at 31 December 2018.

SUPERVISORY DIAMOND

At 31 December 2019, the bank was in compliance with all five threshold values of the supervisory diamond of the Danish Financial Supervisory Authority.

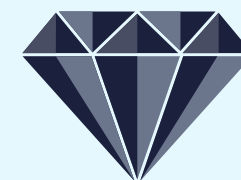
Developments in the bank's supervisory diamond values were in line with expectations. ■

Capital reservation for credit risk

DKKmn	31 December 2019						31 December 2018	
	Total assets	Credit exposure ^{a)}	Accumulated impairment write-downs ^{b)}	Required capital	Total reservation	Reservation/ credit exposure	Total reservation	Reservation/ credit exposure
Private	3,694	4,015	321	301	622	15%	625	15%
Commercial	935	1,401	466	249	715	51%	842	34%
Agriculture	85	449	364	22	386	86%	466	83%
Total, excl. reverse transactions	4,714	5,865	1,151	572	1,723	29%	1,933	27%
Reverse transactions and intra-group transactions	246	247	1	12	13	5%	13	9%
Total, group	4,960	6,112	1,152	584	1,736	28%	1,946	27%

^{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



	2019	2018
Large exposures		
Threshold value < 175%	52%	43%
Growth in lending		
Threshold value < 20%	0,5%	23%
Funding ratio		
Threshold value < 1	0.43	0.44
Property exposure		
Threshold value < 25%	8%	9%
Excess liquidity coverage		
Threshold value > 100%	434%	496%

Banking

	DKKkm	2019	Q4 2019	2018	2017	2016	2015
INCOME STATEMENT	Net interest and fee income	365	95	343	251	254	212
	Trading income	202	50	135	167	166	157
	Leasing	75	19	75	70	63	49
	Other income	64	38	61	24	35	41
	Total income	706	202	614	512	518	459
	Costs	-622	-165	-598	-476	-431	-429
	Core earnings	84	37	16	36	87	30
	Investment portfolio earnings	-60	-24	-52	20	7	-34
	Profit/loss before depreciation, amortisation and impairment losses	24	13	-36	56	94	-4
	Amortisation, customer relation- ships	-32	-8	-24	-	-	-
	Impairment writedowns	75	17	86	11	-50	-327
	Profit before tax excluding ex- traordinary costs	67	22	26	67	44	-331
	Extraordinary costs	-51	-51	-	-	-	-
	Profit/loss before tax	16	-29	26	67	44	-331
	Tax	-4	4	-5	-13	-8	82
	Profit/loss after tax	12	-25	21	54	36	-249

	DKKkm	2019	Q4 2019	2018	2017	2016	2015
BALANCE SHEET	Loans and advances	4,960	4,960	4,452	3,117	2,835	2,981
	Winding-up portfolio	-	-	503	581	942	1,317
	Deposits	10,824	10,824	10,480	6,987	7,189	8,099
	Shareholders' equity	1,896	1,896	1,984	1,575	1,521	1,495
	Total assets	13,470	13,470	13,225	9,027	9,699	10,416
FINANCIAL RATIOS	Interest margin (%)	2.2	2.0	2.2	2.4	2.5	1.9
	Income/cost ratio	1.02	0.90	0.98	1.10	1.07	0.59
	Impairment ratio for the year	-0.8	-0.2	-0.9	-0.5	0.4	3.9
	Total capital ratio	20.0	20.0	20.3	22.5	18.1	17.2
	Return on equity before tax (%) *)	3.4	4.5	1.4	-2.9	2.9	-20.4
	Return on equity after tax (%) *)	2.7	3.1	1.1	-1.9	2.4	-15.4

*) The calculation of Return on equity before tax for 2018 takes into account deferred tax of DKK 49 million from an intangible asset (customer relationships). Return on equity for 2019 has been calculated net of extraordinary costs totalling DKK 51 million before tax.

For many years, proper conduct has been one of Alm. Brand's core values – proper conduct in the way we think, the way we act and the way we communicate. A natural part of our DNA is therefore that we feel a strong sense of corporate responsibility and want to make a positive impact on the world around us. As part of these efforts, we work to promote sustainable development and make a favourable impact on society.

Alm. Brand's vision is: "We take care of our customers". This vision is a wide-reaching pledge, applying not only to customer relationships, but also to employee relationships, environmental and climate issues and issues concerning society in general.

The way we work with these issues is described in our corporate social responsibility (CSR) report. Through our CSR

policy, we seek to ensure alignment with Alm. Brand's core values and to develop our corporate social responsibility on an ongoing basis to ensure that it is up to date and aligned with changes in society. Alm. Brand's CSR strategy is focused on the environment and climate, social and employee-related matters, anti-corruption and anti-bribery, human rights and socially responsible investment. These focus areas have been chosen because they support Alm. Brand's business.

Alm. Brand is a signatory to the UN Global Compact, and the CSR report therefore also represents Alm. Brand's Communication on Progress (COP).

The full account of our corporate social responsibility efforts for 2019 is provided in Alm. Brand's CSR report, which is available together with the group's CSR policy at almbrand.dk/CSR. ■

The Committee on Corporate Governance recommends that companies once a year discuss activities to ensure relevant diversity at all management levels in the group.

The Board of Directors of Alm. Brand is focused on promoting diversity, and back in 2013 Alm. Brand adopted a gender equality policy in accordance with applicable law. The policy is focused on increasing the share of the under-represented gender and entails an annual follow-up on the development in the share of men and women in management positions.

The Board of Directors of Alm. Brand consists of 12 members including employee-elected members. At 31 December

2019, four of the 12 board members were women. As the Board of Directors has defined a target stipulating that the share of the under-represented gender must be at least 33%, the gender equality target was thus complied with. The full report on diversity in management for 2019 is available on the group's website, almbrand.dk/governance.

Additional information on policies on the gender composition of management, including Alm. Brand's diversity policy and group policy to increase the share of the under-represented gender, is also available on almbrand.dk/governance. ■

Capitalisation

Going forward, ordinary dividends will depend on the profit for the year after tax.

Alm. Brand's long-term business goals imply that the group assumes a variety of calculated risks on behalf of its customers, which requires that Alm. Brand has adequate and satisfactory capital resources. The group's risks are described in detail in notes 46 and 47.

The boards of directors of Alm. Brand's subsidiaries are responsible for identifying and quantifying the most significant risks. The statutory capital requirement ensures that the companies are adequately capitalised to absorb adverse events over the next 12 months without compromising outstanding customer accounts.

The capitalisation level is considered sufficient to resist very severe stresses. Going forward, Alm. Brand has defined a target for future ordinary dividends corresponding to a payout ratio of at least 70% of the profit for the year after tax. However, such distribution will be subject to an assessment of any increased capital requirement over the following years, either due to planned activities, special risks or a short-fall in earnings.

TOTAL CAPITAL

The group's total capital for solvency coverage purposes before proposed distributions was DKK 5,596 million at 31 December 2019, consisting of equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin.

The total capital includes tier 2 capital of DKK 575 million and a profit margin of DKK 643 million less a risk margin of DKK 55 million.

The Solvency II capital elements profit margin and risk margin increase the sensitivity of the total capital. Alm. Brand makes allowance for this sensitivity in the capital planning by investigating the effect on the total capital through a scenario analysis. In Alm. Brand Forsikring, the profit margin stability is analysed and stress-tested by exposing it to a number of negative scenarios. In Alm. Brand Pension, the analysis is based on how large a part of the profit margin may be contained in the bonus potentials in a stress scenario.

The distributable total capital of the group was DKK 5,391 million before proposed distributions.

STATUTORY CAPITAL REQUIREMENT

The overall capital requirement of the Alm. Brand Group is calculated as the sum of the capital requirements of the individual subsidiaries. The statutory capital requirement for the group has been calculated at DKK 2,246 million, representing an excess coverage relative to the statutory capital requirement of DKK 3,350 million at 31 December 2019. Less proposed dividends, the excess coverage was DKK 2,890 million at 31 December 2019.

Non-life Insurance and Life Insurance activities

Alm. Brand Forsikring A/S calculates its solvency capital requirement on the basis of a partial internal model in combination with the standard formula of the Solvency II regime. Since end-2012, the partial internal model has been used to calculate the solvency capital requirement attributable to "premium and reserve risk" and "natural catastrophe risk". The partial internal model is designed to reflect the business structure and the reinsurance cover and is based on the company's own data. The model covers all lines except workers'

Alm. Brand aims to consistently maintain a solid and adequate total capital.

compensation and personal accident, and it is designed to most accurately reflect the risk exposure.

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 984 million at 31 December 2019.

Alm. Brand Liv og Pension A/S applies the standard formula provided in the Solvency II legislation for the calculation of the company's capital requirement. The solvency capital requirement of Alm. Brand Liv og Pension A/S was DKK 146 million at 31 December 2019. The level of the solvency capital requirement is relatively high due to the high bonus potentials in Alm. Brand Liv og Pension A/S, which had a bonus rate of 16.1 at 31 December 2019.

Capitalisation

DKKmn	Parent company	Group
Total capital	1,886	1,866
Risk exposure amount	8,757	9,327
Total capital ratio	21.5	20.0
Tier 1 capital ratio	19.5	18.1
Individual solvency need (%)	11.8	11.8
Excess cover (%)	9.7	8.2

Solvency II legislation provides the option of including the loss-absorbing effect of a deferred tax asset in the calculation of the capital requirement. Alm. Brand has decided to make use of this option in the calculation of the capital requirement of the insurance group.

Banking activities

Alm. Brand Bank A/S applies the Danish Financial Supervisory Authority's 8+ method for calculating the adequate total capital. The calculation according to the

8+ method is based on 8% of the total risk exposure amount plus a Pillar 2 add-on for risks not assessed to be covered by the Pillar 1 requirement.

In the credit area, the Pillar 2 add-on covers exposures representing more than 2% of the total capital and credit risk concentration on industries and individual exposures, respectively. In addition to the specified add-ons in the credit area, the bank reserves a Pillar 2 add-on for mortgage deeds.

The calculation of adequate total capital in respect of operational risk is also consistent with the Danish Financial Supervisory Authority's 8+ approach. To hedge operational risks in connection with control environment deficiencies, there is a Pillar 2 add-on of DKK 20 million.

For a more detailed review of all add-ons applied in the determination of the adequate total capital, see the bank's risk disclosure for 2019, which is available at almbrand.dk/risiko.

The banking group had a total capital ratio of 20.0 at 31 December 2019. The individual solvency need ratio was 11.8%, while the combined capital buffer requirement was 3.5% of the risk exposure amount. Accordingly, the excess relative to the adequate total capital including the capital buffer requirement was 4.7 percentage points.

The combined capital buffer requirement consists of a capital conservation buffer and a countercyclical capital buffer, respectively. The capital conservation buffer was 2.5% of the risk exposure amount, while the countercyclical capital buffer was 1% at 31 December 2019. The countercyclical capital buffer will increase to 1.5% with effect from 30 June 2020 and by an additional 0.5 of a percentage point to a total of 2.0% at 31 December 2020.

The bank must have a sufficient level of eligible liabilities ("MREL"). In addition to the solvency need and capital buffers, the MREL requirement consists of a loss absorption amount and a recapitalisation amount. The sum of the latter two make up the MREL add-on. It is determined individually for all small banks by the Danish Financial Supervisory Authority

based on publicly available principles. On the basis of numbers at end-2018, Alm. Brand Bank has been assigned an MREL add-on of 4.7% of the risk exposure amount when fully phased in, expectedly in 2023. This corresponds to the average for small banks. The MREL add-on will be phased in gradually from 2019 and will total 1.5% of the risk exposure amount. The MREL add-on can be financed by way of non-preferred senior debt (tier 3 capital).

For purposes of the bank's financing of the MREL add-on, Alm. Brand A/S on 4 February 2020 issued a bond loan with six years to maturity and a possibility of early redemption after five years. The proceeds have been channelled to Alm. Brand Bank as non-preferred senior debt in the amount of DKK 150 million carrying interest at the rate of CIBOR 3M plus 2.0% with the same term to maturity and the same possibility of early redemption. The existing loan facility of DKK 250 million with Alm. Brand af 1792 fmba has been reduced by DKK 150 million to DKK 100 million. The loan facility between Alm. Brand A/S and Alm. Brand Bank has been similarly reduced.

CAPITAL TARGET

Alm. Brand aims to consistently maintain a solid total capital in order to always be able to take care of the group's customers. The capital target has been determined so as to ensure that the group can absorb a 1:200 year loss event and still be able to carry on business.

Accordingly, the target is substantially higher than the required statutory minimum capital and the companies' capital requirements.

The capital target for the insurance group is calculated as 40% of gross premiums in Non-life Insurance plus 7.5% of life

insurance provisions exclusive of collective bonus potentials. Alm. Brand Bank aims to have total capital of at least 19% of the total risk exposure amount plus the phased-in MREL add-on. In 2020, the capital target will therefore be 20.5% of the total risk exposure amount.

The capital target for the group is a consolidation of the group companies' capital targets including add-ons and diversification in the group. A capital reservation of DKK 150 million was made at 31 December 2019 to cover the uncertainty surrounding the funding of the MREL add-on in Alm. Brand Bank. As the Alm. Brand Group is exposed to a variety of different risks in the insurance group and the banking group, respectively, a diversification between these risks is factored in at group level. The diversification reflects that, with a certain probability, major credit losses in the bank will not crystallise at the same time as major expenses in the insurance company to cover e.g. weather-related claims. The diversification effect is assessed at DKK 300 million.

The internal capital target calculated at 31 December 2019 was DKK 4,891 million, corresponding to an excess coverage for the group of DKK 500 million before distributions, against DKK 80 million at 31 December 2018. After proposed dividends, the excess coverage relative to the internal capital target was DKK 40 million. ■

Capital target

DKKmn	Capital target at 31 December 2019	DKKmn	Distributable total capital at 31 December 2019
Non-life Insurance (40% of gross premiums)	2,146	Shareholders' equity	4,576
Life Insurance (7.5% of life insurance provisions)	1,056	Intangible assets	-150
Banking (19.5% of total risk exposure amount)	1,819	MREL facility	47
Reservation for MREL add-on	150	Share buyback programme, outstanding	-46
Alm. Brand A/S add-on	20	Profit and risk margins	378
Diversification effect	-300	Tier 2 capital	575
Capital target, total	4,891	Reservation for employee shares	11
		Distributable total capital of the group	5,391
Excess relative to internal capital target			500
Proposed dividend			460
Excess after proposed distribution			40

Statement on corporate governance

Alm. Brand strives to obtain maximum transparency and openness and thus agrees with the basic principles of the corporate governance recommendations. This is reflected in the company’s management approach, which is generally consistent with the recommendations.

COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS

Approximately 58% of the share capital of Alm. Brand A/S is held by Alm. Brand af 1792 fmba, which is an association with some 400,000 members, all of whom are customers of Alm. Brand Forsikring A/S. As a result of this structure, five of the eight board members elected by the shareholders of Alm. Brand A/S are nominated by Alm. Brand af 1792 fmba. The other board members elected by the shareholders are independent.

The five board members nominated by the board of Alm. Brand af 1792 have been elected from among the members of Alm. Brand af 1792 fmba’s Committee of Representatives in pursuance of the association’s by-laws.

Information about the recommended candidates’ background, qualifications and selection criteria are provided at the annual general meeting. Information about e.g. the board members’ other executive positions and directorships as well as their special qualifications is provided in the financial statements. As regards new candidates, information on other executive positions and directorships, etc. is also provided in the complete proposals sent to shareholders ahead of the annual general meeting.

As less than half of the board members elected by the shareholders are independent, Alm. Brand A/S deviates from the corporate governance recommendations. The Board of Directors believes that the principal shareholder and the other shareholders have identical interests in the company.

BOARD COMMITTEES

The Board of Directors has set up two board committees – the audit committee and the remuneration committee. The Chairman and the Deputy Chairman of the Board of Directors, who are not deemed to be independent, are members of these committees. The majority of the committee members are thus not independent. This is not in compliance with the corporate governance recommendations, but the Board of Directors has made this choice in order to ensure a strong focus on the work of the committees.

A detailed description of the tasks of the committees, the members of the committees, meeting frequency, etc. is available at almbrand.dk/revisionsudvalg and almbrand.dk/afloenningsudvalg.

Board committees

Audit committee

Anette Eberhard (Chairman)
Jørgen Hesselbjerg Mikkelsen
Jan Skytte Pedersen

Remuneration committee

Jørgen Hesselbjerg Mikkelsen (Chairman)
Jan Skytte Pedersen
Anette Eberhard
Susanne Larsen (employee representative)

58.1%

of the share capital is held by Alm. Brand af 1792 fmba.

Alm. Brand af 1792 fmba is an association whose members are Alm. Brand Forsikring’s customers. Five of the eight shareholder-elected members of the Board of Directors are nominated by the principal shareholder.

The Board of Directors has not found it necessary to set up a nomination committee, as the majority of the members of the Board of Directors are elected by the principal shareholder.

When selecting and nominating the independent candidates, Alm. Brand complies with the recommendation to take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender, and the Board of Directors also obtains external assistance when selecting the independent candidates.

GOVERNING BODIES

In compliance with Danish legislation, Alm. Brand A/S and the group's subsidiaries have a two-tier management system with a board of directors and a management board. A detailed presentation of the members of the Board of Directors and the Management Board of Alm. Brand A/S is provided in the section listing directorships and special qualifications below. The responsibilities and duties of the Board of Directors and the Management Board are defined in the rules of procedure of the Board of Directors.

The Board of Directors consists of eight members elected by the shareholders in general meeting and four members elected by the employees. Of the 12 board members, eight are men and four are women. The age, seniority, other directorships, special qualifications and meeting attendance of the board members are set

forth in the list of directorships on page 47 and on pages 53–59. Ebbe Castella, Karen Sofie Hansen-Hoeck and Anette Eberhard are deemed to be independent, as they do not serve on the board of the company's principal shareholder or are employee representatives.

When nominating new members for the Board of Directors, the Board of Directors emphasises that as a whole the following qualifications are represented: General management experience, experience from the Alm. Brand Group's customer segments, experience in auditing and accounting matters, particularly in relation to membership of the audit committee, and insight into legal matters, insight into financial matters, experience in risk management and solvency matters, investments and general insight into IT matters.

BOARD EVALUATION

The Board of Directors assesses its overall qualifications and work procedures once a year. At least once every three years, the Board of Directors obtains external assistance for the evaluation. As part of the evaluation, the number, level and complexity of other directorships held by the members of the Board of Directors are discussed with a view to ensuring that other directorships are kept at a reason-

able level. The evaluation is presided over by the Chairman of the Board of Directors. The evaluation procedure is based on the company's business model and strategy and entails an evaluation of the individual qualifications of each member of the Board of Directors as well as of the combined qualifications of all members of the Board of Directors in accordance with the recommendations of the Danish Financial Supervisory Authority on board evaluation. The evaluation also comprises e.g. the cooperation with the company's Management Board, the Chairman's ability to lead the Board of Directors, committee work and the overall planning of board work.

The 2019 board evaluation included an evaluation of the qualifications of new board members in combination with the qualifications of the other members of the Board of Directors as well as an update of the overview of the individual qualifications of all members of the Board of Directors. The evaluation did not give rise to any significant remarks. The results of the evaluation will form part of the work of the Board of Directors going forward.

The Board of Directors held ten meetings in 2019. For information on the meeting attendance of each individual board member, see page 47.

For additional information on the group's management and organisational structures, see almbrand.dk/ledelsesstruktur.

REMUNERATION POLICY

Alm. Brand's remuneration policy is available on the group's website. Among other things, the remuneration policy contains information about the group's share-based remuneration. Further information about the remuneration of the Board of Directors and the Management Board is provided in note 9 to the financial statements as well as in the company's remuneration report for 2019. For additional information, go to: almbrand.dk/corporategovernance.

In 2018, the group complied with the remuneration policy described in the 2018 financial statements, and in 2019 it complied with the remuneration policy adopted for 2019.

Board of Directors

Board members receive a fixed annual remuneration reflecting the scope of the board work and the responsibility related to serving on the board.

In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.

Pursuant to the corporate governance recommendations, the remuneration paid to the board members for the current financial year must be approved by the shareholders in general meeting. The Board of Directors believes that it is sufficient that the shareholders approve the remuneration paid to the Board of Directors in respect of the past financial year when approving the financial statements and that the Chairman of the Board of Directors explains the expected remuneration payable to the Board of Directors for the current financial year.

Management Board

The members of the Management Board are remunerated by way of a salary which is intended to be competitive with similar positions in the financial sector. In addition to this salary, the company provides a pension contribution, and the remuneration also includes a company car, paid telephone subscription and other customary salary substitutes. Other directorships held by members of the Management Board in companies of the Alm. Brand Group do not trigger any remuneration. investor.almbrand.dk.

Board remuneration

DKK thousands	Alm. Brand A/S Meeting attendance**)	Alm. Brand A/S Remuneration	Audit committee	Special remuneration for			Total*)
				Alm. Brand Forsikring A/S	Alm. Brand Liv og Pension A/S	Alm. Brand Bank A/S	
Jørgen Hesselbjerg Mikkelsen (Chairman)***	10/10	850	40	40	40	185	1.155
Jan Skytte Pedersen (Deputy Chairman)***	10/10	575	40	40	40	185	880
Anette Eberhard	9/10	300	90	40	40	185	655
Ebbe Castella	10/10	300				185	485
Boris Nørgaard Kjeldsen***	9/10	300				185	485
Flemming Fuglede Jørgensen***	8/10	300		40	40		380
Per Viggo Hasling Frandsen***	8/10	300		40	40		380
Karen Sofie Hansen-Hoeck	10/10	300					300
Claus Nexø Jensen***	10/10	300					300
Brian Egested***	10/10	300					300
Helle Låsby Frederiksen***	9/10	300					300
Susanne Larsen	10/10	300					300

*In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.

**Specification of the individual board member's board meeting attendance in 2018. Flemming Fuglede Jørgensen and Claus Nexø Jensen were not elected until in April 2018. In addition, a number of subsidiary board meetings and audit committee meetings have been held.

***Member of the board of Alm. Brand af 1792 fmba. Alm. Brand af 1792 fmba pays 10% of the remuneration.

As a fixed part of the fixed salary, a share option scheme was set up for the Management Board in 2012. The scheme ended on 31 March 2016. A share-based remuneration programme was subsequently established with effect from 1 July 2016. The award of shares by way of share-based remuneration takes place in the months of June and December, respectively. On 6 June 2019, 7,070 shares were granted at a price of DKK 403,000.02 for the first half of 2019, and on 4 December 2019, 3,639 shares were granted at a price of DKK 204,730.14 for the second half of 2019.

In 2019, the Management Board received remuneration in a total amount of DKK 9.9 million including the value of share-based remuneration but excluding severance payments of DKK 30 million. The remuneration of the Management Board is adjusted every two years. Up until 30 October 2019, the Management Board consisted of CEO Søren Boe Mortensen, after which date Rasmus Werner Nielsen was appointed to the position.

FINANCIAL REPORTING PROCESS

The primary responsibility for Alm. Brand A/S's risk management and control organisation in relation to the financial reporting process rests with the Board of Directors and the Management Board, including compliance with applicable legislation and other financial reporting regulations.

Control environment

The Board of Directors has defined a working plan ensuring that the Board of Directors reviews, at least once a year, the group's:

- Organisation
- Plans and budgets
- Risk of fraud
- In-house rules and guidelines

The Board of Directors and the Management Board are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The audit committee supports the Board of Directors in this work. On an ongoing basis, the Management Board monitors compliance with relevant legislation and other financial reporting regulations and provisions, and reports its findings to the Board of Directors.

The group's internal audit department reports directly to the Board of Directors in compliance with the audit plan presented by the internal audit department and adopted by the Board of Directors. The internal audit department performs sample audits of business procedures and internal controls in critical audit areas, including the financial statements and the financial reporting.

Risk assessment

The working plan of the Board of Directors ensures that the Board of Directors and the Management Board at least once a year perform an overall assessment of risks in relation to the financial reporting process. In this connection, the Board of Directors assesses the group's organisation with respect to:

- Risk measurement and risk management
- Financial reporting and budget organisation
- Internal control
- Rules on powers of procurement
- Segregation of functions or compensatory measures
- IT organisation and IT security

As part of the risk assessment, the Board of Directors considers the risk of fraud on an annual basis. This work includes:

- A discussion of management's potential incentive/motive for committing fraudulent financial reporting or other types of fraud
- A discussion of management reporting with a view to preventing/identifying and responding to fraudulent financial reporting

The audit committee supports the Board of Directors in these assessments.

Risk management and financial reporting process

Day-to-day risk management is handled at segment level on the basis of risk limits defined by the Management Board and approved by the Board of Directors.

Risk management is coordinated by a cross-organisational risk committee consisting of the Management Board and the companies' risk managers as well as the persons in charge of the actuarial departments, the sales organisation, the IT department, the finance department and the persons holding business responsibility in Non-life Insurance, Life Insurance and Banking.

The finance department is responsible for preparing full-year and interim financial statements. The key financial reporting contributors are the non-life and life insurance actuarial departments, which are responsible for calculating technical provisions, and the risk management department, which is responsible for calculating the group's financial assets and liabilities. In addition, the credit secretariat is an important contributor with respect to the accounting treatment of the bank's loans and advances.

For a more detailed review of the risks facing the group, see note 45, Capital and risk management, and note 46, Significant accounting estimates, assumptions and uncertainties.

WHISTLEBLOWER SCHEME

In 2014, the group set up a whistleblower scheme as part of the implementation of new legislation. Employees can use the whistleblower scheme to anonymously report violations or suspected violations of financial legislation committed by employees or board members of Alm. Brand's companies. The whistleblower scheme is anchored in the Compliance department. No reports were submitted in 2019.

DEVIATION FROM CORPORATE GOVERNANCE RECOMMENDATIONS

Alm. Brand is subject to the recommendations prepared by the Committee on Corporate Governance, which are available at corporategovernance.dk. On an annual basis, the Board of Directors of Alm. Brand A/S considers all recommendations applying the "comply or explain" principle. The complete statement is provided at corporategovernance.dk.

The group deviates from the corporate governance recommendations in the following respects:

- At least half of the board members elected by the shareholders are not independent. See "Composition and organisation of the Board of Directors"
- The majority of the members of the board committees cannot be deemed to be independent. See "Board committees"
- The Board of Directors has not set up a nomination committee. See "Board committees"
- The selection and nomination of candidates for the Board of Directors is only partially carried out on the basis of the recommended criteria
- The qualifications of candidates for the Board of Directors are not described to the recommended extent ahead of the general meeting
- The remuneration of the Board of Directors is approved for the past year and not for the current financial year. See "Remuneration policy–Board of Directors"

Moreover, Alm. Brand A/S has chosen not to set up contingency procedures for takeover bids, as it believes that takeover bids are not realistic given the current ownership structure.

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

The Board of Directors has responded to the "Stewardship Code" (in Danish: "Anbefalinger for aktivt ejerskab") and believes that the company and the financial undertakings of the Alm. Brand Group both together and individually hold so few and insignificant ownership interests in Danish listed companies that the drafting of a formal stewardship policy, ongoing dialogue with issuers and reporting would not accommodate the objectives which the code is intended to support. The Alm. Brand Group uses screening agencies to manage its Danish and global shareholdings. ■

Shareholder information

Alm. Brand's shareholders achieved an overall return of close to 25% in 2019.

THE ALM. BRAND SHARE IN 2019

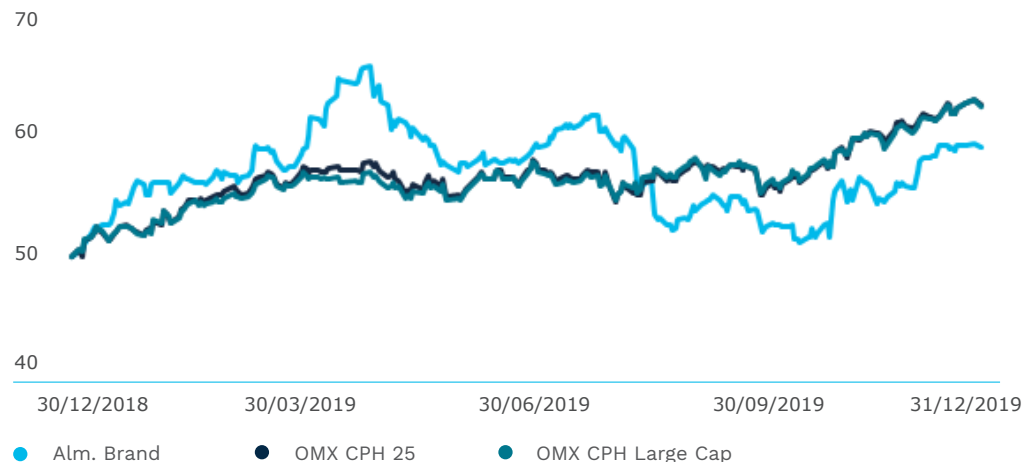
Alm. Brand is listed on Nasdaq Copenhagen and is a component of the OMX Copenhagen Large Cap index. At 31 December 2019, the share price was DKK 59.15, marking an increase of 18.9% relative to DKK 49.75 at 31 December 2018. Moreover, Alm. Brand paid a dividend of DKK 3.00

per share at 30 April 2019. Accordingly, investors experienced a total appreciation of 24.9% in 2019.

By comparison, the OMX Copenhagen Large Cap index produced a return of 25.8% in the same period.

Share price performance 2019

Alm. Brand compared with OMX Copenhagen 25 Index (DK0060775369) and OMX Copenhagen Large Cap (SE0001776659), indexed.



At 31 December 2019, Alm. Brand's market capitalisation totalled DKK 9.3 billion, with an average daily turnover of Alm. Brand shares of about 154,000 shares in 2019.

Share capital and ownership

The company's nominal share capital amounted to DKK 1,576,600,000 at 31 December 2019, divided into shares of DKK 10 each, equivalent to 157,660,000 shares. Each share represents one vote.

Since 2015, the company has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just over 58%. At end-March 2019, the company completed a share buyback programme of DKK 200 million and on 30 April 2019 launched a new share buyback programme of up to DKK 200 million in aggregate, which runs until end-March 2020. At 31 December 2019, shares for a total amount of DKK 161 million had been bought back under the share buyback programme. A small portion thereof is used for the existing share-based remuneration scheme.

At 31 December 2019, Alm. Brand held a total of 3,338,002 treasury shares, equivalent to 2.1% of the share capital.

The company's master data at Nasdaq Copenhagen are as follows:

Share information

Share capital	DKK 1,576,600,000
No. of shares (of DKK 10 each)	157,660,000
Share classes	1
Restrictions on transferability and voting rights	None
Stock exchange	Nasdaq Copenhagen
Ticker	ALMB
ISIN	DK0015250344

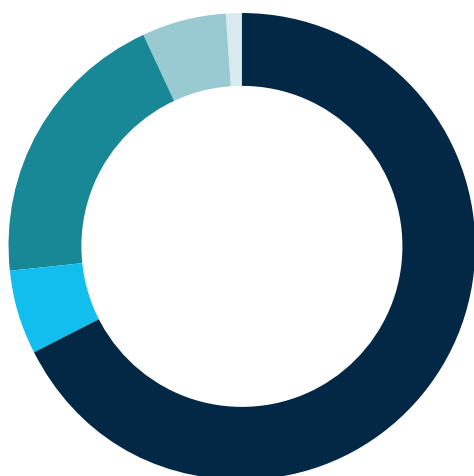
Ownership

Alm. Brand A/S is a subsidiary of the limited liability association Alm. Brand af 1792 fmba, whose ownership interest of just over 58% at 31 December 2019 makes it the only shareholder with a shareholding of more than 5%. Alm. Brand is not aware of any other shareholders holding an ownership interest of more than 5%.

Alm. Brand has a total of some 16,500 shareholders, and the free float is approximately 42%.

Danish investors make up the largest group of shareholders, holding in aggregate 69% of the free float.

Geographical breakdown



- 69% Denmark
- 6% Nordics excluding Denmark
- 20% Europe excluding Nordics
- 6% North America
- 1% Other

The Board of Directors proposes that an ordinary dividend of DKK 3.00 per share be paid for the 2019 financial year. The proposed dividend per share adds up to a total dividend payout of approximately DKK 460 million, corresponding to payout of 102% of the consolidated profit after tax.

Investor Relations policy

Alm. Brand aims to communicate in an accurate, relevant and timely manner with equity market stakeholders in order to ensure that all investors have equal and adequate access for trading and pricing of the company's shares to be effected on a fully informed basis.

The management of Alm. Brand prioritises meeting with investors and analysts on a regular basis, and in connection with the release of financial statements, management and the investor relations department participate at a number of meetings with both Danish and international investors.

Alm. Brand's investor relations website, investor.almbrand.dk, contains all official company announcements, financial statements, investor presentations, the financial calendar, corporate governance documents and other material.

Shareholdings

	No. of shares held 31 Dec. 2018		No. of shares held 31 Dec. 2019	
	Personally	Related parties	Personally	Related parties
Board of Directors				
Jørgen H. Mikkelsen, Chairman	141,469	145,139	141,469	145,139
Jan Skytte Pedersen, Deputy Chairman	12,000	-	12,000	-
Boris Nørgaard Kjeldsen	8,651	-	8,651	-
Flemming Fuglede Jørgensen	-	-	-	-
Karen Sofie Hansen-Hoeck	-	-	-	-
Anette Eberhard	3,249	-	3,249	-
Per Viggo Hasling Frandsen	31,000	-	31,000	-
Ebbe Castella	2,000	-	2,000	-
Helle Låsby Frederiksen	2,400	-	2,400	-
Claus Nexø Jensen	10,289	1,345	7,261	1,345
Susanne Larsen	4,168	2,294	2,065	1,422
Brian Egested	410	-	993	-
Management Board				
Rasmus Werner Nielsen	-	-	20,465	57
Søren Boe Mortensen	118,409	1,173	-	-

Alm. Brand observes a three-week silent period before the release of full-year and interim financial reports, ceasing all communications to the equity market during that period.

Analyst coverage

The Alm. Brand share is currently covered by four analysts.

Analyst coverage

Carnegie	Martin Gregers Birk
Danske Bank	Asbjørn Nicholas Mørk
Nykredit	Ricky Steen Rasmussen
SEB	Per Grønborg

Contact

Day-to-day contact with investors and analysts is handled by:

Lars Holm,
First Vice President, Investor Relations
Tel. +45 25 10 47 17
E-mail: ablahl@almbrand.dk

Mikael Bo Larsen,
Senior Investor Relations Officer
Tel. +45 51 43 80 02
E-mail: abmela@almbrand.dk

Annual general meeting

The annual general meeting of Alm. Brand A/S will be held on Wednesday, 29 April 2020 at 11.00 AM at the Radisson Blu Scandinavia Hotel, Amager Boulevard 70, 2300 Copenhagen, Denmark.

Financial calendar 2020

29 April 2020	Annual general meeting
14 May 2020	Release of Q1 2020 interim report
20 August 2020	Release of H1 2020 interim report
4 November 2020	Release of 9M 2020 interim report

Board of Directors

Jørgen Hesselbjerg Mikkelsen (Chairman)

Farm owner, born in 1954 and appointed in 1994.



SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
Experience in risk management and solvency compliance
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE

ALM. BRAND GROUP

Chairman

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

Member

Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

DIRECTORSHIPS OUTSIDE THE

ALM. BRAND GROUP

Chairman

Danish Agro A.m.b.a
Danish Agro Finance A/S

Member

DanHatch Holding A/S
Hesselbjerg Agro A/S
Vilomix International Holding A/S
Dava International Holding A/S
Dan Agro Holding A/S
Landbrug & Fødevarer f.m.b.a.
Danish Agro Machinery Holding A/S
Dava Foods Holding A/S
Sjællandske medier including subsidiaries

MANAGER

J.H.M. Holding 2010 ApS

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
Experience in risk management and solvency compliance
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE

ALM. BRAND GROUP

Deputy Chairman

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond
Alm. Brand Forsikring A/S

Member

Forsikringsselskabet Alm. Brand Liv og Pension A/S

DIRECTORSHIPS OUTSIDE THE

ALM. BRAND GROUP

Chairman

Ringvejens Autolakereri A/S
Herm. Rasmussen A/S
Herm. Rasmussen A/S
Malerforretning
Herm. Rasmussen A/S
Erhvervsvejdomme

Member

Herm. Rasmussen A/S Holding
Malerfirmaet Fr. Nielsen og Søn,
Skanderborg, Aktieselskab
Silkeborg Fodbold College
Fabrikant Michael Sørensen's Fond
Ejendomsselskabet
Lysbroengen P/S
Rederiet Viking P/S
Søfronten Herning P/S

MANAGER

Herm. Rasmussen A/S Holding
Malerfirmaet Fr. Nielsen og Søn,
Skanderborg, Aktieselskab

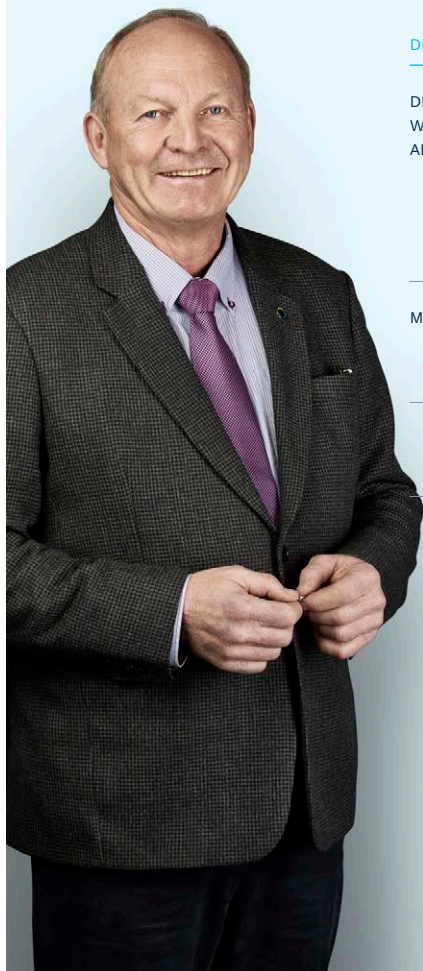
Jan Skytte Pedersen (Deputy Chairman)

Manager, born in 1956 and appointed in 2010.



Flemming Fuglede Jørgensen

Estate owner, born in 1953
and appointed in 2018.



SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand
Group's customer segments
Insight into economic matters
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP

Member

Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond
Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og
Pension A/S

MANAGER

Dansk Agrodraft ApS
E.A.R.L. Villejovet

National chairman of Landsforeningen
for Bæredygtigt Landbrug

SPECIAL QUALIFICATIONS

General management experience
Insight into legal matters
Insight into economic matters
Insight into financial matters
General insight into IT matters
Experience from the Alm. Brand
Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE

ALM. BRAND GROUP

Member

Alm. Brand A/S

DIRECTORSHIPS OUTSIDE THE

ALM. BRAND GROUP

Chairman

Madkulturen (institution under the
Ministry of Environment and Food of
Denmark)

Member

Danske Spil A/S
Softline A/S
Fairtrade Mærket Danmark Fonden

MANAGER

Fooducer ApS
Retail Network ApS

Karen Sofie Hansen-Hoeck

Manager, born in 1965 and
appointed in 2013.



Boris Nørgaard Kjeldsen

Managing Director,
born in 1959 and appointed in 2003



SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into legal matters
Insight into economic matters
General insight into IT matters
Experience in risk management and solvency compliance
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP

Member

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP

Chairman

Kemp & Lauritzen A/S

Member

Benny Johansen & Sønner A/S
DAVISTA Komplementarselskab A/S
DAVISTA K/S
Ejendomsforeningen Danmark (deputy chairman)
Arkitektgruppen A/S

MANAGER

DADES A/S (managing director) and wholly-owned subsidiaries
DAVISTA Komplementarselskab A/S
DAVISTA K/S

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
General insight into IT matters
Experience in risk management and solvency compliance
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP

Member

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

MANAGER

PKA AIP A/S (managing director)
PKA Private Funds P/S III GP ApS
IIP Denmark P/S (managing director)
IIP Denmark GP ApS
Sekee ApS
PKA Venture I GP ApS

Anette Eberhard

Manager, born in 1961 and
appointed in 2015.



Per Viggo Hasling Frandsen

Estate owner, born in 1952 and appointed in 2009.



SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into financial matters
Insight into economic matters
Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP **Member**

Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond
Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP

Chairman

"Sia" Per Frandsen Latvia

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into financial matters
Insight into economic matters
Experience in risk management and solvency compliance

Investments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP

Member

Alm. Brand A/S
Alm. Brand Bank A/S

Ebbe Castella

Manager, born in 1950 and appointed in 2013.



Helle Låsby Frederiksen (employee representative)

Staff association chair, born in 1962
and appointed in 2010.

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand
Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS
WITHIN THE
ALM. BRAND GROUP

Chairman
Staff association of Alm. Brand
Forsikring A/S

Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond



SPECIAL QUALIFICATIONS

Experience from the Alm. Brand
Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS
OUTSIDE THE
ALM. BRAND GROUP

Member
Finansforbundet (Financial Services
Union in Denmark) - Insurance Agents

DIRECTORSHIPS
WITHIN THE
ALM. BRAND GROUP

Chairman
Assurandørforeningen (association of
tied agents) at Alm. Brand

Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

Claus Nexø Jensen (employee representative)

Tied agent (agricultural insurance),
born in 1966 and appointed in 2018.



Brian Egested (employee representative)

Head of department, born in 1969 and appointed in 2014.



SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments
General management experience

DIRECTORSHIPS

DIRECTORSHIPS WITHIN **Chairman**
THE ALM. BRAND GROUP Alm. Brand Chefforeningen (association of managers)

Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments
Insight into financial matters

DIRECTORSHIPS

DIRECTORSHIPS WITHIN **Member**
THE ALM. BRAND GROUP Alm. Brand A/S

Susanne Larsen (employee representative)

Financial adviser, born in 1964 and appointed in 2006.

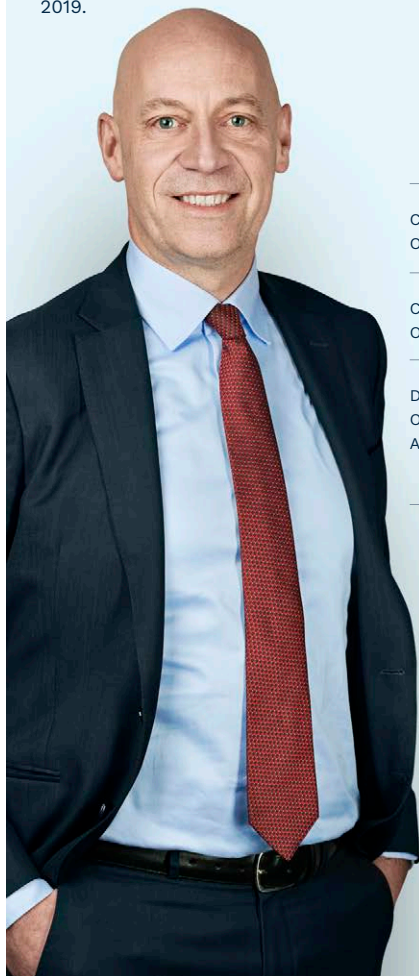


Management Board

Rasmus Werner Nielsen

Chief Executive Officer, born in 1969 and employed with Alm. Brand since 2017.

Chief Executive Officer since October 2019.



DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP

Chairman

Forsikringsselskabet Alm. Brand Liv og Pension A/S
Alm. Brand Præmieservice A/S
Alm. Brand Ejendomsinvest A/S
Pensionskassen under Alm. Brand A/S
(appointed by the Management Board)

Member

Alm. Brand Bank A/S
Ejendomsselskabet AB ApS

CHIEF EXECUTIVE OFFICER

Alm. Brand A/S
Alm. Brand af 1792 fmba

CHIEF EXECUTIVE OFFICER

Alm. Brand Forsikring A/S

DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP

Member

Forsikring & Pension

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the annual report of Alm. Brand A/S for the period 1 January to 31 December 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises. The parent company financial statements have been prepared in accordance with the Danish Financial Business Act. The management's review has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2019 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year ended 31 December 2019.

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 describes the principal risks and uncertainties that may affect the group and the parent company.

We recommend the annual report for adoption at the annual general meeting.

Management Board

Copenhagen, 27 February 2020

Rasmus Werner Nielsen
Chief Executive Officer

Board of Directors

Copenhagen, 27 February 2020

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested

Helle Låsby Frederiksen

Claus Nexø Jensen

Susanne Larsen

Auditors' reports

ENDORSEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2019, which comprise income and comprehensive income statement, balance sheet, statement of changes in equity and notes to the financial statements, including accounting policies, for the group as well as for the parent company, and cash flow statement and consolidated segment reporting. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 31 December 2019 and of its financial performance and cash flows for the financial year 1 January to 31 December 2019 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises.

Also, in our opinion, the parent company financial statements give a true and fair view of the financial position of the parent company at 31 December 2019 and of its financial performance for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the audit committee and the Board of Directors.

Basis of opinion

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with international standards on auditing with respect to the planning and performance of the audit.

We have planned and performed the audit so as to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement. We participated in auditing all critical audit areas.

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

Statement on the management's review

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statements and the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Internal auditor

Copenhagen, 27 February 2020

Morten Bendtsen

Group Chief Auditor

INDEPENDENT AUDITOR'S REPORT To the shareholders of Alm. Brand A/S Opinion

We have audited the consolidated financial statements and the parent financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the consolidated cash flow statement and segment information. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2019 and of its financial performance and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2019 and of its financial performance for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Grundlag for konklusion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Alm. Brand A/S before 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 23 years up to and including the financial year 2019.

Centrale forhold ved revisionen

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan impairment charges

Loans amounted to DKK 4,578 million at 31 December 2019 (DKK 4,649 million at 31 December 2018), and related loan impairment charges amounted to DKK 81 million for the financial year 1 January to 31 December 2019 (DKK 77 million for the financial year 1 January to 31 December 2018).

Determining expected loan impairment charges is subject to significant uncertainty and to some degree based on management judgement. Due to the significance of such management judgement and the loan volumes, including business and agriculture, auditing loan impairment charges are a key audit matter.

The principles for determining impairment charges are described in the accounting policies, note 47, pages 138-150, and the related significant accounting estimates, assumptions and uncertainties in note 46, pages 135-137, and management has described the procedures for credit risk management and the assessment of impairment charges in notes 8, 20, 45 and 46.

The areas of loans involving the highest level of management judgement, thus requiring greater audit attention, are:

- Identification of credit-impaired exposures
- Parameters and management judgements applied in the calculation model used to determine Stage 1 and Stage 2 expected losses
- Valuation of collateral and future cash flows, including management judgement involved in determining Stage 3 expected losses.
- Identification and determination of management add-ons for the calculation model.

How the matter was addressed in our audit

Based on our risk assessment, our audit comprised a review of the Entity's relevant lending procedures, testing of relevant controls, and analysis of the development in credit quality of loans, including the amount of impairment charges.

Our audit procedures included testing relevant controls regarding:

- Current assessment of credit risk

- Assessment and validation of parameters, assumptions and estimates applied in the calculation model for Stage 1 and Stage 2 impairment charges
- Valuation of collateral and future cash flows, including management judgement involved in determining Stage 3 expected losses.
- Determination of management add-ons for the calculation model.

Our audit procedures also comprised:

- Reviewing exposures on a sample basis for credit impairment
- Testing input used to calculate impairment charges with focus on collateral values for Stage 1 and Stage 2 loans
- Reviewing the Entity's definition of parameters and staging which involves correctly defined parameters and correct staging based on input
- Testing, on a sample basis for loans classified to be in Stage 3, the calculated impairment charges for consistency with legal and entity guidelines to this effect. This included testing collateral values and definition of scenarios.
- Challenging management add-ons for the calculation model, including a review of the documentation thereof.

Outstanding claims and life insurance provisions

The calculation of outstanding claims and life insurance provisions is complex and to a significant extent subject to accounting estimation that is based on management judgements and assumptions about future events. Auditing outstanding claims and life insurance provisions is therefore a key audit matter.

Outstanding claims and life insurance provisions amounted to DKK 21,318 million at 31 December 2019 (DKK 19,303 million at 31 December 2018), refer to note 26 to the consolidated financial statements.

Management has specified the principles for determining provisions for insurance contracts in "Summary of significant accounting policies", note 47, pages 138-150, and the related significant accounting estimates and judgements, assumptions and uncertainties in note 46, pages 135-137, and specified the insurance provisions in note 26 page 95-100 to the consolidated financial statements.

We believe that the most significant risks relate to the following elements that are either particularly complex and/or highly subject to management judgement:

- Changes in methods, models and data applied

- Determination of expectations for future:
 - Claims incurred related to outstanding claims provisions
 - Cash flows, including determination of profit margin on life insurance provisions.
- Determination of expectations for mortality and disability
- Management add-on for actuarial calculations to mitigate the risk of adverse developments in claims for damages related to outstanding claims provisions.

How the matter was addressed in our audit

Based on our risk assessment, we have audited Management's measurement outstanding claims and life insurance provisions.

Our audit procedures included the following elements, where we also made use of our internationally qualified actuaries:

- Assessing and testing key controls related to claims handling processes and to recognition and measurement of outstanding claims and life insurance provisions

- Challenging the assumptions, methods and models applied by using our industry knowledge and experience, focusing on changes since last year
- Testing Alm. Brand's sample recalculation of the basic types in the "Valuation" provisions program related to life insurance provisions.
- Testing the accuracy and completeness of data used to calculate outstanding claims and life insurance provisions
- Assessing the basis and process for defining assumptions underlying the calculation of the profit margin on life insurance provisions
- Recalculating outstanding claims provisions for selected non-life insurance industries by using portfolio data, including assessing management add-ons.

Based on our procedures, we did not identify any material exceptions and consider Management's assumptions and methods and models applied to calculate outstanding claims and life insurance provisions to be within a reasonable range of accounting estimates.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements or the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We

did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due

to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's and the Parent's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Copenhagen, 27 February 2020

Anders Oldau Gjelstrup

State-Authorised Public Accountant
MNE no 10777

Brian Schmit Jensen

State-Authorised Public Accountant
MNE no 40050

Income statement

		Group	
DKK m	Note	2019	2018
Income statement			
Income			
Premium income	1	7,215	7,278
Interest income, etc.	2	705	671
Fee income, etc.	3	227	181
Other income from investment activities	4	4	7
Other income	5	294	471
Total income		8,445	8,608
Costs			
Claims expenses	6	-4,671	-4,466
Interest expenses	7	-46	-64
Other expenses from investment activities		-111	-54
Impairment of loans, advances and receivables, etc.	8	81	77
Acquisition costs and administrative expenses	9	-1,907	-1,980
Total costs		-6,654	-6,487
Profit/loss from business ceded	10	-250	-249
Change in life insurance provisions	0	-1,772	-658
Change in profit margin		70	-35
Value adjustments	11	916	-518
Tax on pension investment returns	12	-186	14
Profit/loss before tax		569	675
Tax	13	-117	-106
Profit/loss after tax		452	569
Earnings per share, DKK		2.9	3.6
Diluted earnings per share, DKK		2.9	3.6

Statement of comprehensive income

		Group	
DKKm	Note	2019	2018
Comprehensive income			
Profit/loss for the year		452	569
<i>Items that are or may be reclassified subsequently to profit or loss</i>		0	0
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of owner-occupied properties		41	29
Transferred to collective bonus potential		-41	-29
Tax on other comprehensive income		0	0
Total other comprehensive income		0	0
Total comprehensive income		452	569

Balance sheet as at 31 December

DKK m	Note	Group	
		2019	2018
Assets			
Intangible assets	14	187	211
Owner-occupied properties	15	752	713
Deferred tax assets	16	0	46
Reinsurers' share of insurance contracts	17	170	167
Current tax assets	18	45	47
Other assets	19	1,777	1,866
Loans and advances	20	5,514	5,745
Investment properties	21	750	724
Investment assets	22	31,567	28,413
Balances due from credit institutions and central banks	23	792	861
Cash in hand and balances at call		244	232
Total assets		41,798	39,025
Liabilities and equity			
Share capital		1,577	1,610
Reserves, retained earnings, etc.		2,539	2,668
Proposed dividend		460	470
Consolidated shareholders' equity	24	4,576	4,748
Subordinated debt	25	575	575
Provisions for insurance contracts	26	23,593	21,626
Other provisions	27	41	52
Deferred tax liabilities	16	55	0
Other liabilities	28	1,628	1,295
Deposits	29	10,492	10,298
Payables to credit institutions and central banks	30	838	431
Total liabilities and equity		41,798	39,025

Statement of changes in equity

DKKkm	Share capital	Contingency funds	Other reserves	Other provisions	Retained profit	Proposed dividend	Shareholders' equity
Shareholders' equity at 1 January 2018	1,655	182	0	1,215	1,404	480	4,936
Change in accounting policies					-62		-62
Adjusted shareholders' equity at 1 January 2018	1,655	182	0	1,215	1,342	480	4,874
Changes in shareholders' equity 2018:							
Profit/loss for the year					569	0	569
Reversed revaluation of owner-occupied properties			29		0		29
Transferred to collective bonus potential			-29		0		-29
Comprehensive income	0	0	0	0	569	0	569
Cancellation of treasury shares	-45				45		0
Proposed dividend					-470	470	-470
Dividende distributed					3	-480	3
Share option scheme, exercise					28		28
Purchase and sale of treasury shares					-246		-246
Changes in shareholders' equity	-45	0	0	0	-71	-10	-116
Shareholders' equity at 31 December 2018	1,610	182	0	1,215	1,271	470	4,748
Shareholders' equity at 1 January 2019	1,610	182	0	1,215	1,271	470	4,748
Changes in shareholders' equity 2019:							
Profit/loss for the year					452	0	452
Reversed revaluation of owner-occupied properties			41		0		41
Transferred to collective bonus potential			-41		0		-41
Comprehensive income	0	0	0	0	452	0	452
Cancellation of treasury shares	-33				33		0
Proposed dividend					-460	460	0
Dividende distributed					3	-470	-467
Share option scheme, exercise					33		33
Purchase and sale of treasury shares					-190		-190
Changes in shareholders' equity	-33	0	0	0	-129	-10	-172
Shareholders' equity at 31 December 2019	1,577	182	0	1,215	1,142	460	4,576

The contingency funds are allocated from untaxed funds and are required, according to the articles of association, to be used for the benefit of policyholders. A deferred tax provision has been made for the contingency funds.

Cash flow statement

DKKm			Group	
	2019	2018	2019	2018
Cash flows from operating activities				
Premiums received	7,080	7,279		
Claims paid	-4,404	-4,489		
Dividends received	42	57		
Interest, etc. received	640	587		
Interest paid	-18	-14		
Payments concerning reinsurance	-269	-214		
Fee income received	234	187		
Fee income paid	-6	-6		
Expenses paid	-1,946	-2,220		
Tax on pension investment returns paid	-82	-127		
Other ordinary income received	294	471		
Taxes paid/received	-134	-3		
Cash flows from operating activities	1,431	1,508		
Change in investment placement (net)				
Acquisition of intangible assets, furniture, equipment, etc.	23	86		
Properties acquired or converted	-35	-135		
Sale/acquisition of equity investments	320	-412		
Sale/repayment of mortgage deeds and loans	291	426		
Sale/purchase of bonds	-2,055	-862		
Acquisition of activities from Saxo Privatbank A/S	0	-380		
Change in investment placement (net)	-1,456	-1,277		
Change in financing				
Sale/purchase of treasury shares and cost related to share issue			-157	-218
Dividende distributed			-470	-480
Modtaget udbytte egne aktier			3	3
Change in deposits			194	228
Change in payables to credit institutions			408	99
Change in other liabilities			-10	12
Change in financing*			-32	-356
Change in cash and cash equivalents			-57	-125
Cash and cash equivalents beginning of year			1,093	500
Acquisition of activities from Saxo Privatbank A/S			0	718
Cash and cash equivalents, year end			1,036	1,093
<i>Cash and cash equivalents comprise the following items:</i>				
Cash in hand and balances at call			244	232
Balances due from credit institutions and central banks, see note 23			281	308
Balances due from credit institutions and central banks, see note 23			511	553
Cash and cash equivalents, year end			1,036	1,093

*) The amount of DKK 32 million consists only of cash inflows og outflows.

Segment reporting, income statement

							2019
DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
Income							
Premiums	1	5,365	1,850	0	0		7,215
Interest income, etc.	2	202	248	259	3	-7	705
Fee income, etc.	3	0	0	280	0	-53	227
Other income from investment activities	4	0	70	-2	0	-64	4
Other income	5	0	0	294	0		294
Total income		5,567	2,168	831	3	-124	8,445
Costs							
Claims expenses	6	-3,637	-1,034	0	0		-4,671
Interest expenses	7	-19	-6	-20	-8	7	-46
Other expenses from investment activities		-27	-41	0	-96	53	-111
Impairment of loans, advances and receivables, etc.	8	0	0	81	0		81
Acquisition costs and administrative expenses	9	-956	-106	-909	0	64	-1,907
Total costs		-4,639	-1,187	-848	-104	124	-6,654
Profit/loss from business ceded	10	-246	-4	0	0		-250
Change in life insurance provisions		0	-1,813	0	0	41	-1,772
Change in profit margin		0	70				70
Value adjustments	11	-119	1,043	33	0	-41	916
Tax on pension investment returns	12	0	-186	0	0		-186
Profit/loss before tax		563	91	16	-101	0	569
Tax	13	-127	-9	-4	23		-117
Profit/loss after tax		436	82	12	-78	0	452

Segment reporting, income statement

							2018
DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
Income							
Premiums	1	5,274	2,004	0	0		7,278
Interest income, etc.	2	170	264	239	4	-6	671
Fee income, etc.	3	0	0	243	0	-62	181
Other income from investment activities	4	1	63	1	1	-59	7
Other income	5	0	0	471	0		471
Total income		5,445	2,331	954	5	-127	8,608
Costs							
Claims expenses	6	-3,436	-1,030	0	0		-4,466
Interest expenses	7	-36	-5	-17	-12	6	-64
Other expenses from investment activities		-27	-39	0	-50	62	-54
Impairment of loans, advances and receivables, etc.	8	0	0	77	0		77
Acquisition costs and administrative expenses	9	-908	-99	-1,032	0	59	-1,980
Total costs		-4,407	-1,173	-972	-62	127	-6,487
Profit/loss from business ceded	10	-245	-4	0	0		-249
Change in life insurance provisions		0	-687	0	0	29	-658
Change in profit margin		0	-35	0	0		-35
Value adjustments	11	-141	-342	-5	-1	-29	-518
Tax on pension investment returns	12	0	14	0	0		14
Profit/loss before tax		652	104	-23	-58	0	675
Tax	13	-139	-25	44	14		-106
Profit/loss after tax		513	79	21	-44	0	569

For additional segment information, see Note 33 Segment reporting, Non-life Insurance and Note 34 Segment reporting, Banking.

Segment reporting, balance sheet

							2019
DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
Assets							
Intangible assets	14	0	0	187	0		187
Owner-occupied properties	15	0	0	9	0	743	752
Deferred tax assets	16	47	0	0	0	-47	0
Reinsurers' share of insurance contracts	17	148	22	0	0		170
Current tax assets	18	6	0	27	22	-10	45
Other assets	19	546	222	1,170	234	-395	1,777
Loans and advances	20	803	0	4,813	0	-102	5,514
Investment properties	21	6	1,470	17	0	-743	750
Investment assets	22	8,927	16,420	6,223	3	-6	31,567
Balances due from credit institutions and central banks	23	0	0	792	0		792
Cash in hand and balances at call		238	105	232	1	-332	244
Total assets		10,721	18,239	13,470	260	-892	41,798
Liabilities and equity							
Share capital		0	0	0	1,577		1,577
Reserves, retained earnings, etc.		2,026	626	1,896	-2,409	400	2,539
Proposed dividend		400	0	0	460	-400	460
Consolidated shareholders' equity	24	2,426	626	1,896	-372	0	4,576
Subordinated debt	25	150	150	175	250	-150	575
Provisions for insurance contracts	26	7,375	16,218	0	0		23,593
Other provisions	27	18	0	23	0		41
Deferred tax liabilities	16	0	3	62	37	-47	55
Current tax liabilities	18	0	10	0	0	-10	0
Other liabilities	28	565	646	323	345	-251	1,628
Deposits	29	0	0	10,824	0	-332	10,492
Payables to credit institutions and central banks	30	187	586	167	0	-102	838
Total liabilities and equity		10,721	18,239	13,470	260	-892	41,798

Segment reporting, balance sheet

							2018
DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
Assets							
Intangible assets	14	0	0	211	0		211
Owner-occupied properties	15	0	0	11	0	702	713
Deferred tax assets	16	44	104	0	0	-102	46
Reinsurers' share of insurance contracts	17	148	19	0	0		167
Current tax assets	18	0	6	97	16	-72	47
Other assets	19	725	219	1,147	57	-282	1,866
Loans and advances	20	941	0	4,917	0	-113	5,745
Investment properties	21	13	1,395	18	0	-702	724
Investment assets	22	8,586	14,088	5,742	2	-5	28,413
Balances due from credit institutions and central banks	23	0	0	861	0		861
Cash in hand and balances at call		96	96	221	1	-182	232
Total assets		10,553	15,927	13,225	76	-756	39,025
Liabilities and equity							
Share capital		0	0	0	1,610		1,610
Reserves, retained earnings, etc.		1,900	534	1,984	-2,350	600	2,668
Proposed dividend		500	100	0	470	-600	470
Consolidated shareholders' equity	24	2,400	634	1,984	-270	0	4,748
Subordinated debt	25	150	150	175	250	-150	575
Provisions for insurance contracts	26	7,147	14,479	0	0		21,626
Other provisions	27	26	0	26	0		52
Deferred tax liabilities	16	0	25	39	38	-102	0
Current tax liabilities	18	72	0	0	0	-72	0
Other liabilities	28	587	439	348	58	-137	1,295
Deposits	29	0	0	10,480	0	-182	10,298
Payables to credit institutions and central banks	30	171	200	173	0	-113	431
Total liabilities and equity		10,553	15,927	13,225	76	-756	39,025

Overview of notes

Notes with reference

1	Premium income	→
2	Interest income, etc.	→
3	Fee income, etc.	→
4	Other income from investment activities	→
5	Other income	→
6	Claims expenses	→
7	Interest expenses	→
8	Impairment of loans, advances and receivables, etc.	→
9	Acquisition costs and administrative expenses	→
10	Result of ceded business	→
11	Value adjustments	→
12	Tax on pension returns	→
13	Tax	→
14	Intangible assets	→
15	Owner-occupied properties	→
16	Deferred tax assets and liabilities	→
17	Reinsurers' share of insurance contracts	→

18	Current tax assets	→
19	Other assets	→
20	Loans and advances	→
21	Investment properties	→
22	Investment assets	→
23	Balances due from credit institutions and central banks	→
24	Consolidated shareholders' equity	→
25	Subordinated debt	→
26	Provisions for insurance contracts	→
27	Other provisions	→
28	Other liabilities	→
29	Deposits	→
30	Payables to credit institutions and central banks	→

Notes without reference

31	Technical result, Non-life Insurance	→
32	Return requirement for shareholders' equity, Life Insurance	→
33	Segment reporting, Non-life Insurance	→
34	Segment reporting, Banking	→
35	Contingent liabilities, guarantees and lease agreements	→
36	Collateral security	→
37	Related parties	→
38	Fair value and classification of financial assets, liabilities and instruments	→
39	Return on financial instruments	→
40	Offsetting	→
41	Financial instruments by term to maturity	→
42	Credit risk	→
43	Market risk	→
44	Sensitivity information	→
45	Capital and risk management	→
46	Significant accounting estimates, assumptions and uncertainties	→
47	Accounting policies	→

Notes

DKKm	2019	2018
Note 1 Premium income		
Gross premiums	7,235	7,260
Change in unearned premium provisions	-20	18
Total premium income	7,215	7,278
Direct insurance is exclusively written in Denmark		
<i>Premium income, Life Insurance</i>		
Regular premiums	803	766
Single premiums	1,047	1,238
Total premium income, Life Insurance	1,850	2,004
Individually written insurance	848	962
Insurance written in employment relationship	766	815
Group life schemes	236	227
Total premium income, Life Insurance	1,850	2,004
<i>Number of policies (1,000)</i>		
Individually written insurance	54	55
Insurance written in employment relationship	8	8
Group life schemes	64	66
All policies in Life Insurance written include a bonus arrangement. The life insurance company only writes direct Danish insurance.		
Note 2 Interest income, etc.		
Equity investments	42	57
Bonds	301	314
Loans secured by mortgages	113	78
Other loans	203	198
Deposits in credit institutions	2	-2
Other investment assets	44	26
Total interest income, etc.	705	671

	2019	2018
<i>Interest income in connection with genuine purchase and resale transactions:</i>		
Balances due from credit institutions and central banks	3	0
Other debtors	0	0
Note 3 Fee income, etc.		
Securities trading and deposits	104	77
Payment transfers	7	8
Loan transaction fees	12	0
Commission fees	7	3
Other fees and commissions	115	116
Dividends	15	3
Fees and commissions paid	-33	-26
Total fee income, etc.	227	181
Note 4 Other income from investment activities		
Rental income	26	25
Operation and maintenance - occupied leases	-13	-10
Operation and maintenance - vacant leases	-9	-8
Total other income from investment activities	4	7
Note 5 Other income		
Lease income	283	289
Badwill, Saxo Privatbank activities	0	180
Other	11	2
Total other income	294	471

Notes

DKKm	2019	2018
Note 6 Claims expenses		
Claims paid	-4,552	-4,471
Change in outstanding claims provisions	-119	5
Total claims expenses	-4,671	-4,466
Run-off result, claims	67	174
Run-off result, risk margin	66	72
Run-off result, ceded business	10	22
Run-off result, net	143	268
The run-off result includes value adjustment of inflation swaps used to hedge inflation risk related to workers' compensation.		
<i>Claims and benefits paid, Life Insurance</i>		
Insurance sums on death	-86	-99
Insurance sums on critical illness	-24	-23
Insurance sums on disability	-5	-5
Insurance sums on expiry	-80	-93
Pension and annuity benefits	-294	-298
Surrenders	-405	-363
Cash bonus payments	-140	-149
Total claims and benefits, Life Insurance	-1,034	-1,030
Note 7 Interest expenses		
Credit institutions and central banks	-6	0
Deposits and other payables	-3	-4
Subordinated debt	-23	-23
Other interest expenses	-14	-25
Discounting insurance contracts	0	-12
Total interest expenses	-46	-64

	2019	2018
<i>Interest expenses arising from genuine purchase and resale transactions:</i>		
Payables to credit institutions and central banks	0	0
Deposits and other payables	0	0
Note 8 Impairment of loans, advances and receivables, etc.		
<i>Impairment writedowns on loans, advances and receivables at amortised cost</i>		
<i>Stage 1 no significant increase in credit risk</i>		
Impairment writedowns, beginning of year	3	10
New impairment writedowns, net	14	-7
Previously impaired, now finally lost	0	0
Other movements	-3	0
Impairment writedowns, end of period	14	3
<i>Stage 2 significant increase in credit risk</i>		
Impairment writedowns, beginning of year	75	83
New impairment writedowns, net	-16	-8
Previously impaired, now finally lost	0	0
Other movements	-1	0
Impairment writedowns, end of period	58	75
<i>Stage 3 Credit-impaired</i>		
Impairment writedowns, beginning of year	806	1,065
New impairment writedowns, net	-1	-30
Previously impaired, now finally lost	-66	-229
Other movements	3	0
Impairment writedowns, end of period	742	806

Notes

DKKm	2019	2018
<i>Loans which were kredit-impaired at initial recognition</i>		
Impairment writedowns, beginning of year	0	0
New impairment writedowns, net	3	0
Previously impaired, now finally lost	0	0
Other movements	0	0
Impairment writedowns, end of period	3	0
<i>Provisions for losses on guarantees and undrawn credit facilities</i>		
<i>Stage 1 no significant increase in credit risk</i>		
Provisions, beginning of period	10	0
New provisions, net	-7	
Previously provided for, now finally lost	0	0
Other movements	3	2
Provisions, end of period	6	10
<i>Stage 2 significant increase in credit risk</i>		
Provisions, beginning of period	6	2
New provisions, net	-2	10
Previously provided for, now finally lost	0	0
Other movements	0	0
Provisions, end of period	4	6
<i>Stage 3 Credit-impaired</i>		
Provisions, beginning of period	6	0
New provisions, net	3	6
Previously provided for, now finally lost	0	0
Other movements	0	1
Provisions, end of period	9	6
Total impairment writedowns and provisions, end of period	836	906

In connection with the acquisition of activities from Saxo Privatbank A/S, the bank took over loans and advances at a discount of DKK 42 million. Including this discount, the bank's allowance account has a balance of DKK 878 million.

	2019	2018
<i>Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement</i>		
Impairment writedowns on loans and advances for the year	28	59
Provisions for losses on guarantees and undrawn credit facilities for the year	6	-11
Finally lost, where impairment writedowns/provisions have not been made	-11	-22
Settlements made on debt previously written off	58	51
Recognised in the income statement	81	77

Note 9 Acquisition costs and administrative expenses

Acquisition commission	-168	-148
Other acquisition costs	-598	-576
Administrative expenses	-1,141	-1,256
Total acquisition costs and administrative expenses	-1,907	-1,980
Salaries and wages	1,190	1,115
Pension	180	169
Payroll tax, etc.	182	173
Share-based payment	5	6
Total salaries and wages, pension, etc.	1,557	1,463

Part of the payroll expenses for the year have been allocated as claims handling costs and are therefore included under claims incurred.

Average number of employees	1,796	1,770
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DKKm	2019	2018
<i>Remuneration to the Management Board and Board of Directors (DKK '000)</i>		
Salaries and wages	33,511	6,627
Pension plans	5,448	2,260
Share-based payment	876	788
Total remuneration to the Management Board	39,835	9,675
Directors' fees	5,597	5,167
Total remuneration to the Management Board and Board of Directors	45,432	14,842
<i>Alm. Brand Group remuneration to the Board of Directors (DKK '000)</i>		
Jørgen Hesselbjerg Mikkelsen (Chairman)	1,155	1,070
Jan Skytte Pedersen (Deputy Chairman)	880	795
Anette Eberhard	655	610
Ebbe Castella	485	450
Boris Nørgaard Kjeldsen	485	450
Per Viggo Hasling Frandsen	380	355
Karen Sofie Hansen-Hoeck	300	275
Flemming Fuglede Jørgensen (joined in 2018)	380	237
Henrik Christensen (retired in 2018)	300	275
Brian Egested (employee representative)	300	275
Helle Låsby Frederiksen (employee representative)	300	275
Susanne Larsen (employee representative)	300	186
Claus Nexø Jensen (employee representative, joined in 2018)	0	118
Lars Christiansen (employee representative)	0	89
Total remuneration to the Board of Directors	5,920	5,460
No. of members of the Management Board	1	1
No. of members of the Board of Directors	12	12

Remuneration to the Management Board comprises remuneration (DKK 8 million) and severance payments (DKK 30 million) to former Chief Executive Officer Søren Boe Mortensen and remuneration to Chief Executive Officer Rasmus Werner Nielsen (DKK 1 million).

In Alm. Brand, all employees, including the Management Board member, are entitled to a defined contribution pension plan. The group's expenses in relation to the Management Board's pension plans are shown in the note above.

The total remuneration including any severance payments accruing to the chief executive officer in the event of termination of employment cannot constitute more than up to the equivalent of three years' remuneration.

Effective from 1 July 2016, a share-based remuneration programme for 13% of the fixed salary was established for the senior management team of the Alm. Brand Group. The shares are granted free of charge twice annually (third trading day of June and December, respectively). The value is calculated as a simple average of the average price of one share in Alm. Brand quoted on the first trading day of each calendar month during the calendar months forming the basis of the individual share grant.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 90 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually.

Group Chief Auditor Morten Bendtsen, who is employed by the Board of Directors, holds no employment outside Alm. Brand.

DKKm	2019	2018
<i>Remuneration to key employees (DKK '000)</i>		
Salaries	59,935	23,930
Pension plans	9,574	4,723
Share-based payment	2,763	2,664
Total remuneration to key employees	72,272	31,317

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group.

In 2019 remuneration to key employees in the Management Board includes salary etc. in connection with severance.

DKKm	2019	2018
<i>Remuneration to risk takers (DKK '000)</i>		
Fixed salary	80,438	76,928
Pension	12,402	11,942
Variable salary	542	492
Share-based payment	3,597	3,621
Total remuneration to risk takers	96,979	92,983
Number of risk takers	65	66

	Number of share options held	Exercise price	Fair value at date of grant	Expiry date	Exercised	Number of share options in circulation
Granted on 4 September 2012	328,130	15.39	3.01	04.11.16	328,130	0
Granted on 8 March 2013	922,610	20.06	2.28	08.05.17	922,610	0
Granted on 3 September 2013	906,705	20.42	2.32	03.11.17	906,705	0
Granted on 11 March 2014	604,472	29.16	3.48	11.05.18	604,472	0
Granted on 2 September 2014	577,021	34.78	3.82	02.11.18	577,021	0
Granted on 9 March 2015	563,933	43.87	4.57	09.05.19	563,933	0
Granted on 1 September 2015	524,860	43.89	5.10	01.11.19	524,860	0
Granted on 14 March 2016	448,084	50.85	6.06	14.05.20	322,725	125,359
Granted on 6 September 2016	235,541	55.28	5.66	06.11.20	94,456	141,085
Number of share options, year-end	5,111,356					266,444

The weighted average remaining contractual term is four months. The weighted average exercise price during the exercise period was DKK 31.9. The average share price at the time of exercise in 2019 was DKK 57.59 (2018: DKK 64.09).

Risk takers are those persons who, in accordance with the Danish Executive Order on remuneration policy and public disclosure of salaries, have a material influence on the company's risk profile.

In 2019 remuneration to risk takers includes salary etc. in connection with severance (DKK 1.6 million).

A one-off fee has been paid to risk takers, but no bonus has been disbursed.

Share-based payment

A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

Breakdown of outstanding share options:

Notes

The company bought 266,444 shares in connection with the option scheme.

The estimated fair value at the date of grant has been calculated by applying the Black & Scholes model for measuring options. The valuation is based on the following assumptions:

	2016		2015		2014		2013		2012
	06.09.16	14.03.16	09.03.15	01.09.15	11.03.14	02.09.14	08.03.13	03.09.13	04.09.12
Share price at the date of grant (DKK per share)	50.25	46.23	39.88	39.90	26.51	31.62	18.24	18.56	13.99
Exercise prise (DKK per share)	55.28	50.85	43.87	43.89	29.16	34.78	20.06	20.42	15.39
Expected volatility (%)	22.21	24.7	21.89	23.79	23.56	22.59	22.71	26.48	35.87
Risk-free rate of interest (%)	-0.11	0.00	0.16	0.18	0.62	0.30	0.60	0.89	0.60
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Term to maturity (number of years)	3	3	3	3	3	3	3	3	3

The expected volatility is calculated based on the historical volatility of the price of the parent company's shares seen over the past twelve months. Term to maturity is calculated based on the earliest possible exercise of the share option.

DKKm	2019	2018
<i>Audit fees (DKK '000)</i>		
Deloitte - Audit	4,086	3,914
Deloitte - Other assurance engagements	546	388
Deloitte - Tax consultancy	618	623
Deloitte - Non-audit services	994	1,840
Total audit fees	6,244	6,765

Fees for non-audit services predominantly consisted of assistance provided in connection with acquisition of activities of Saxo Privatbank A/S.

Note 10 Profit/loss from business ceded

Reinsurance premiums ceded	-316	-334
Reinsurers' share received	44	69
Change in reinsurers' share of insurance contracts	4	3
Commissions and profit shares from reinsurance companies	18	13
Total loss from business ceded	-250	-249

DKKm	2019	2018
Note 11 Value adjustments		
<i>Investment assets</i>		
Equity investments	553	-243
Unit trust units	96	-36
Bonds	187	-255
Shares in collective investments	-1	0
Loans secured by mortgages	-1	18
Other investment assets	204	-48
Exchange rate adjustments	11	9
Carried over to the next page	1,049	-555

Notes

DKKm	2019	2018
Note 11 Value adjustments - continued	1,049	-555
<i>Land and buildings</i>		
Investment properties	21	17
Owner-occupied properties	9	6
	1,079	-532
Discounting insurance contracts	-163	14
Total value adjustments	916	-518
<i>Change in fair values based on valuation models and recognised in the income statement</i>		
Mortgage deeds	-14	-21
Unlisted shares	-24	-13
Investment properties	21	17
Total change in fair values	-17	-17

The group's counterparties are primarily financial institutions with a high credit rating with which the bank exchanges collateral security on a daily basis. Accordingly, the group finds that a credit adjustment does not give rise to any notably different valuation.

Note 12 Tax on pension investment returns

Tax on pension investment returns regarding current year	-186	14
Total tax on pension investment returns	-186	14

	2019	2018
Note 13 Tax		
Estimated tax on profit/loss for the year	-123	-16
Adjustment of tax relating to prior years	12	0
Final withholding tax paid	-1	0
Tax on reversing entries in equity	0	-18
Adjustment of deferred tax relating to prior years	-5	-72
Total tax	-117	-106
<i>Tax for the year consists of:</i>		
Tax on accounting profit	-126	-148
Non-deductible expenses and non-taxable income	-3	42
Adjustment of tax relating to prior years	12	0
Total tax	-117	-106
Effective tax rate	20.5	15.6

DKKm	2019	2018
Note 14 Intangible assets		
Software and customer relationships	187	211
Intangible assets, year-end	187	211
<i>Software and customer relationships</i>		
Cost, beginning of year	558	326
Additions during the year	12	232
Cost, year-end	570	558
Accumulated amortisation and impairment, beginning of year	-347	-323
Depreciation for the year	-36	-24
Accumulated amortisation and impairment, year-end	-383	-347
Software and customer relationships, year-end	187	211

Alm. Brand Leasing A/S has contractually committed to acquiring intangible assets in an additional amount of DKK 1 million.

The impairment test of customer relationships segregated in connection with Alm. Brand Bank's acquisition of the majority of the activities of Saxo Privatbank A/S builds on the business case which formed the basis of the acquisition and the actual run-off on the acquired portfolio from the date of the takeover in April 2018 until 31 December 2019. The model is based on the assumption that the customer portfolio will have a run-off of 5% p.a., translating into a similar decline in income of 5%. The impairment test was carried out because of actual developments in the portfolio.

The calculation is based on a required rate of return of 12.5% before tax, corresponding to the group's required rate of return on equity. The bank's capital target has changed since the original valuation, which means a lower level of tied-up capital relative to the original valuation.

The model outcome is assessed to reflect the value which the customer portfolio represents for the group.

	2019	2018
Note 15 Owner-occupied properties		
Cost, beginning of year	629	614
Addition during the year on acquisition of activities from Saxo Privatbank A/S	0	11
Additions during the year	2	4
Disposals during the year, reclassified to investment properties	-10	0
Cost, year-end	621	629
Accumulated revaluations, beginning of year	105	76
Revaluations during the year	41	31
Reversal of prior year revaluation through shareholders' equity	0	-2
Accumulated revaluations, year-end	146	105
Accumulated depreciation and impairment, beginning of year	-21	-27
Impairment for the year	-3	0
Reversal of prior year impairment through profit or loss	9	6
Depreciation on disposal	0	0
Accumulated depreciation and impairment, year end	-15	-21
Owner-occupied properties, year-end	752	713
Restated value, beginning of year	713	663
Additions during the year	2	15
Disposals during the year	-10	0
Value adjustment recognised through the income statement	6	6
Value adjustment recognised through shareholders' equity	41	29
Restated value, year-end	752	713
Average return, office property	5.16%	5.40%
Original acquisition cost	601	612

The group's owner-occupied properties are classified as investment properties in the life group, so the reclassification has only been made in the consolidated balance sheet.

The fair value of owner-occupied properties is calculated according to the yield method on the basis of the operating return on the individual property and a return requirement linked to the individual property which reflects the transactions taking place in the property market in the period up to the date of valuation. The resulting fair value is adjusted for deposits, rent above/below market rent, rent on vacant premises and deferred maintenance works and necessary refurbishment expenses. An external appraiser may be engaged where necessary.

The methods applied in the calculation of fair values in the current year are unchanged. The profit for the period includes an unrealised gain of DKK 6 million in value adjustments.

The most important non-observable inputs used in the fair value calculation are:

Required rate of return 5.16% (2018: 5.40 %)

Rent per m² DKK 1,555 (2018: DKK 1,538)

An increase in the required rate of return would result in a decline in the fair value of the properties, while an increase in rent per square metre relative to the assumptions applied would result in an increase in the fair value of the properties. A general increase in rent per square metre in the areas in which the group's investment properties are located would, all other things being equal, result in a slight decline in the return requirement.

DKKm	2019	2018
Note 16 Deferred tax assets and liabilities		
Deferred tax assets, beginning of year	46	63
Change in accounting policies	0	-49
Prior-year adjustment	8	0
Change for the year	-5	-72
Tax on pension investment return	-104	104
Deferred tax assets, year-end	-55	46

DKKm	2019	2018
Deferred tax on contingency funds	-40	-40
Deferred tax on tangible assets, etc.	28	37
Deferred tax on real estate	-2	-1
Deferred tax on intangible assets	-39	-44
Deferred tax on lease assets	-30	-21
Deferred tax on provisions	28	15
Deferred tax in respect of negative tax on pension returns	0	-23
Deferred tax on losses carried forward	0	19
Deferred tax on pension returns	0	104
Deferred tax assets, year-end	-55	46
Deferred tax assets, Non-life	47	44
Deferred tax assets, Life	-3	79
Deferred tax assets, Banking	-62	-39
Deferred tax assets, Other	-37	-38
Deferred tax assets, year-end	-55	46

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group has a deferred tax asset of DKK 9 million, which has not been capitalised.

DKKm	2019	2018
Note 17 Reinsurers' share of insurance contracts		
Reinsurers' share of life insurance provisions	22	19
Reinsurers' share of premium provisions	8	8
Reinsurers' share of claims provisions	140	140
Reinsurers' share of insurance contracts, year-end	170	167
<i>Reinsurers' share of life insurance provisions</i>		
Beginning of year	19	13
Change for the year	3	6
Year-end	22	19
<i>Reinsurers' share of premium provisions</i>		
Beginning of year	8	9
Premiums ceded	-299	-318
Payments to reinsurers	299	317
Year-end	8	8
<i>Reinsurers' share of claims provisions</i>		
Beginning of year	140	141
Claims ceded	38	63
Payments received from reinsurers	-38	-64
Year-end	140	140

Alm. Brand is automatically notified about any changes to the security rating of reinsurance companies and their financial figures. This provides an overview of the reinsurance market and allows the group to identify potential financial difficulties (run-off) in any of the companies with which it collaborates.

If the security rating of a reinsurer is downgraded to below the level prevailing at the signing of the contract, Alm. Brand has a contractual right to terminate the contract. Any commutation proposals/agreements at less than 100% of the claims provisions are registered, and any disputes that the group might have with its reinsurers are taken into consideration.

Based on the above, at the balance sheet date, the group assesses whether there are any doubtful receivables from reinsurers. If that is the case, an impairment loss is recognised. Alm. Brand has no significant concentrations of credit risks on reinsurers.

Reinsurance is calculated on the basis of gross claims incurred based on the given retention rates. See the section on risk for a more detailed description of retention rates. The sensitivity of reinsurance to changes in assumptions is similar to that for gross claims expenses.

There is a direct correlation between reinsurance and gross provisions, so the level of the reinsurance provisions is considered to be adequate at all times.

Notes

DKKm	2019	2018		2019	2018
Note 18 Current tax assets			Note 19 Other assets		
Current tax assets, beginning of year	47	12	Receivables from policyholders	153	182
Prior-year tax adjustment	4	0	Receivables from insurance brokers	6	6
Tax paid/received in respect of prior years	-51	-12	Receivables from insurance companies	40	43
Tax paid during the year	168	63	Other receivables	37	24
Estimated tax on profit/loss for the year	-123	-16	Positive market value of derivatives, gross	115	117
Current tax assets, year-end	45	47	Furniture and equipment, computers, cars, etc.	854	877
Current tax assets, Non-life	6	-72	Leased furniture and equipment, computers, cars, etc. and properties	175	0
Current tax assets, Life	-10	6	Other assets	127	359
Current tax assets, Banking	27	97	Pensionskassen under Alm. Brand A/S	8	15
Current tax assets, Other	22	16	Interest receivable	176	176
Deferred tax assets, year-end	45	47	Prepayments	86	67
			Other assets, year-end	1,777	1,866
			Total receivables written down in connection with insurance operations:		
			Impairment, beginning of year	129	117
			Impairment during the year and reversal of impairment	17	12
			Impairment, year-end	146	129

Notes

DKKm	2019				2018			
	Cars	Furniture and equipment, computers, cars, etc.	Leased properties	Total	Cars	Furniture and equipment, computers, cars, etc.	Leased properties	Total
Cost, beginning of year	1,403	41	196	1,640	1,419	39	0	1,458
Additions during the year	356	1	0	357	314	2	0	316
Disposals during the year	-349	-16	0	-365	-330	0	0	-330
Cost, year-end	1,410	26	196	1,632	1,403	41	0	1,444
Accumulated depreciation and impairment, beginning of year	-37	-460	0	-567	-460	-35	0	-495
Depreciation for the year	-1	-212	-21	-226	-212	-2	0	-214
Impairment	0	0	0	0	0	0	0	0
Depreciation on disposals	16	142	0	190	142	0	0	142
Accumulated depreciation and impairment, year-end	-22	-530	-21	-603	-530	-37	0	-567
Other balances regarding operating leases	0	0	0	0	0	0	0	0
Furniture and equipment, computers, cars, etc., year-end	4	873	175	1,029	873	4	0	877
Furniture and equipment, computers, cars, etc., year-end, non-life				2				2
Furniture and equipment, computers, cars, etc., year-end, banking				852				875
Furniture and equipment, computers, cars, etc., year-end, other				175				0
Furniture and equipment, computers, cars, etc., year-end				1,029				877
Cars are owned by Alm. Brand Leasing A/S and are mainly components of operating leases. See note for a statement of assets held under finance leases.								
Lease liabilities concerning properties are included in note 28 Other liabilities. A few leases terminated during the year have been recognised under the rules applicable to short-term leases.								
Future minimum lease payments for assets held under operating leases								
Term of 1 year or less				201				222
Term of 1-5 years				198				177
Term of 5 years or more				2				0
Total				401				399

DKKm	2019	2018
Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S. Information about Pensionskassen under Alm. Brand A/S:		
Present value of commitment, beginning of year	-84	-90
Interest expenses	0	0
Benefits paid	8	8
Actuarial gains/losses from financial assumptions	-3	-3
Actuarial gains/losses from demographic assumptions	-4	3
Actuarial gains/losses from experience adjustments	-2	-2
Present value of commitment, year-end	-85	-84
Fair value of plan assets, beginning of year	99	105
Return on plan assets	0	0
Return on assets (excluding amounts recognised in net interest expense)	2	2
Benefits paid	-8	-8
Fair value of plan assets, year-end	93	99
Present value of commitment	-85	-84
Fair value of plan assets	93	99
Net asset recognised in the balance sheet	8	15
Net interest income	0	0
Costs recognised in the income statement	0	0
<i>Remeasurement of defined benefit pension plans</i>		
Return on plan assets excluding amounts recognised in net interest expenses	2	2
Actuarial gains/losses from financial assumptions	-3	-3
Actuarial gains/losses from demographic assumptions	-4	3
Actuarial gains/losses from experience adjustments	-2	-2
Recognised in other comprehensive income	-7	0
Recognised in income statement and other comprehensive income	-7	0

	2019	2018
The plan assets are exclusively comprised of cash and cash equivalents (less than DKK 1 million) and bonds valued at the official market price.		
<i>The pension obligations are calculated on the basis of the following actuarial assumptions</i>		
The 10-year point on the discount curve at the beginning of the financial year	0.04%	0.03%
Expected rate of inflation	1.00%	1.00%
<i>Average remaining life expectancy in years for pension benefit recipients</i>		
Male	6.8	6.9
Female	6.9	6.6

*) Based on the Danish Financial Supervisory Authority's updated longevity benchmark

The pension fund is a defined benefit disbursement-only fund. There are no contribution-paying members, which means that the members are either retired themselves or retired spouses. All payments are regular life benefits originally determined as a percentage of the members' pensionable salary. The benefits are adjusted twice annually. The adjustment rate is determined as the development in the net price index less 1% p.a.

The pension fund is managed by Alm. Brand A/S, which pays all costs related thereto. Auditing expenses and regulatory fees and taxes are paid by the pension fund. Alm. Brand A/S has undertaken to pay pension contribution determined by the pension fund's chief actuary and any extraordinary contributions required by the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations. The pension fund is managed by a board of directors comprised of eight members, half of whom are elected by an among the voting members of the pension fund.

The pension fund is exposed to risks such as life expectancy risk, interest rate risk and inflation risk.

The calculation of the pension obligations is based on life expectancy. If this life expectancy changes, the value of the pension obligations will increase or decline depending on whether the life expectancy rises or falls. If the actual lifetime exceeds the life expectancy, the pension fund will incur an expense. Conversely, a shorter actual lifetime will result in income for the pension fund.

The obligations of the pension fund are calculated on the basis of expected benefits discounted by the EIOPA discount curve including any positive volatility adjustment.

An interest rate change will affect the value of both assets and liabilities. The difference in this effect constitutes the interest rate risk.

The benefits are adjusted by the development in the net price index less 1 percentage point. Provisions are calculated on the basis of an expected annual increase in the net price index of 2%. If the expected future development in the net price index changes, the value of pension provisions will change as well. If the actual adjustment exceeds the expected adjustment, the pension fund will incur an expense. Conversely, a lower adjustment rate will equal an income.

The actuarial assumptions underlying the determination of the pension obligation comprise discount rate, expected rate of inflation and life expectancies. The sensitivity analysis below has been calculated on the basis of probable changes in the respective assumptions existing at the balance sheet date, while all other variables are maintained.

If the discount rate is 100 bps higher (lower), the pension obligations will decline by DKK 8 million (increase by DKK 2 million). If the rate of inflation is 1 percentage point higher (lower), the pension obligations will increase by DKK 2 million (fall by DKK 8 million). A 10% increase (decline) in mortality intensities will cause the average remaining lifetime to decline (increase) by 0.4 of a

year for both men and women and cause the pension obligation to decline by DKK 7 million (increase by DKK 1 million).

The sensitivity analysis does not necessarily reflect the actual change in the obligations, as it is unlikely that changes in one assumption will occur isolated from changes in other assumptions. The present value of the pension obligations in the above sensitivity analysis is calculated in the same way as the calculation of the pension obligations recognised in the balance sheet.

The method used for the sensitivity analysis and the assumptions included therein are unchanged from prior years.

As the pension fund is a disbursement-only pension fund, no contributions are expected to be made to the scheme next year. The average weighted duration of the pension obligations at 31 December 2019 was 2.3 years (2018: 5.1 years).

Notes

DKKm	2019	2018
Note 20 Loans and advances		
Loans and advances at fair value	936	1,096
Loans and advances at amortised cost	4,578	4,649
Loans and advances, year-end	5,514	5,745
<i>Loans and advances at fair value</i>		
Mortgage deeds	936	1,096
Loans and advances at fair value, year-end	936	1,096
 Loans and advances at fair value, year-end, non-life	803	941
Loans and advances at fair value, year-end, banking	133	155
Loans and advances at fair value, year-end	936	1,096
 Of the year's total positive fair value adjustment of mortgage deeds of DKK 1 million (2018: positive adjustment of DKK 18 million), a positive amount of DKK 11 million was due to credit losses (2018: positive amount of DKK 34 million). At 31 December 2019, the accumulated impairment writedowns on the bank's portfolio of mortgage deeds amounted to DKK 294 million (2018: DKK 387 million)		
<i>Loans and advances at amortised cost</i>		
Loans and advances	5,344	5,518
Leases	92	88
Total before impairment etc.	5,436	5,606
Impairment etc.	-858	-957
Loans and advances at amortised cost, year-end	4,578	4,649

	2019	2018
<i>Gross investment in finance leases</i>		
Term of 1 year or less	31	32
Term of 1-5 years	55	59
Term of 5 years or more	12	3
	98	94
Unearned financial income	-6	-6
Net investment in finance leases, year-end	92	88
 <i>Net investment in finance leases</i>		
Term of 1 year or less	30	30
Term of 1-5 years	51	55
Term of 5 years or more	11	3
Net investment in finance leases, year-end	92	88
 Of which, any unguaranteed residual value	-	-
 Impairment of finance leases	0	0

DKKm	2019	2018
Note 21 Investment properties		
Carrying amount, beginning of year	724	610
Addition during the year on acquisition of activities from Saxo Privatbank A/S	0	15
Additions during the year, property	11	84
Disposals during the year	-6	-2
Value adjustments during the year	21	17
Investment properties, year-end	750	724
Investment properties, year-end, Non-life	6	13
Investment properties, year-end, Life	727	693
Investment properties, year-end, Banking	17	18
Investment properties, year-end	750	724
Average return, office property	5.38%	5.60%
Average return, residential property	4.99%	5.06%
Total average return	5.32%	5.52%

Some of the life group's investment properties are used by the group as owner-occupied properties, so the properties are classified as owner-occupied properties in the consolidated balance sheet. See note 15.

Investment properties Non-life and Life

The fair value of investment properties is calculated according to the yield method on the basis of the operating return on the individual property and a return requirement linked to the individual property which reflects the transactions taking place in the property market in the period up to the date of valuation. The resulting fair value is adjusted for deposits, rent above/below market rent, rent on vacant premises and deferred maintenance works and necessary refurbishment expenses. An external appraiser may be engaged where necessary.

The methods applied in the calculation of fair values in the current year are unchanged. The profit for the period includes an unrealised profit of DKK 90 million in Other income from investment activities.

The most important non-observable inputs used in the fair value calculation are:

Required rate of return 5.3% (2018: 5.5 %)

Rent per m² DKK 1,200 (2018: DKK 1,210)

An increase in the return requirement would result in a decline in the fair value of the properties, while an increase in rent per square metre relative to the assumptions applied would result in an increase in the fair value of the properties. A general increase in rent per square metre in the areas in which the group's investment properties are located would, all other things being equal, result in a slight decline in the return requirement.

Investment properties Banking

Investment property comprises single-family houses and rental property which are not expected to be sold within 12 months. Single-family houses are measured on the basis of valuations received from external appraisers. Rental property is measured on the basis of a cash flow model that takes into account a return requirement which is dependent on location, financial strength of tenants, lease terms and use etc. Rental property is supplemented by valuations received from external appraisers if the property is deemed to be difficult to sell. If the valuation of single-family houses are lowered by 15%, and the required rate of return on rental property is increased by 1 percentage point, the fair value would change by DKK 3 million.

Notes

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Note 22 Investment assets										
Government bonds	453	1,491	573	0	2,517	346	1,397	555	0	2,298
Mortgage bonds	7,727	9,853	4,644	0	22,224	7,762	8,656	4,133	0	20,551
Other fixed-rate instruments	438	2,198	86	0	2,722	300	1,957	119	0	2,376
Other floating-rate instruments	64	153	0	2	219	67	179	0	2	248
Bonds at amortised cost	0	0	651	0	651	0	0	672	0	672
Listed shares	0	1,701	20	0	1,721	0	1,597	27	0	1,624
Unlisted shares	53	174	249	1	477	9	6	236	0	251
Positive market value of derivative financial instruments, gross	187	850	0	0	1,036	98	296	0	0	393
Other	5	0	0	0	0	4	0	0	0	0
Investment assets, year-end	8,927	16,420	6,223	3	31,567	8,586	14,088	5,742	2	28,413

The group's holding of listed and unlisted shares had a market value of DKK 2,198 million at 31 December 2019 (2018: DKK 1,875 million). A significant part of the group's equity exposure is achieved through the use of derivatives such as options and futures. The aggregate equity exposure, including derivatives, was DKK 2,641 million at 31 December 2019 (2018: DKK 3,504 million). The bank's portfolio of financial instruments is recognised under other assets and other liabilities. Please refer to the bank's annual report for further details on the positions. For an overview of the net position in derivative financial instruments, see Note 40 Offsetting.

DKKm	2019	2018
Note 23 Balances due from credit institutions and central banks		
Balances at notice with central banks	461	553
Balances due from credit institutions	331	308
Balances due from credit institutions and central banks, year-end	792	861

By term to maturity:

Balances at call	281	308
Up to and including 3 months	511	553
Over 3 months and up to and including 1 year	0	0
Year-end	792	861

DKKm	2019	2018
<i>Receivables in connection with genuine purchase and resale transactions:</i>		
Balances due from credit institutions and central banks	49	0
Other debtors	0	0
Year-end	49	0

Notes

DKKm	2019	2018
Note 24 Consolidated shareholders' equity		
Share capital, year-end	1,577	1,610

The share capital consists of 157,660,000 shares of DKK 10 each and has been fully paid up.

The following shareholder has announced that it holds more than 5% of the share capital:
Alm. Brand af 1792 fmba, Midtermolen 7, 2100 Copenhagen Ø

DKKm	2019	2018	2017	2016	2015
Share capital, beginning of year	1,610	1,655	1,735	1,735	1,735
Cancellation of treasury shares	-33	-45			
Share capital, year-end	1,577	1,610	1,655	1,735	1,735

Reference is made to the statement of changes in equity.

DKKm	2019	2018
<i>Solvency</i>		
Tier 1 capital after deductions	2,789	2,895
Total capital after deductions	3,214	3,319
Weighted items subject to credit risk	9,011	8,947
Weighted items subject to market risk	871	816
Weighted items subject to operational risk	1,673	1,662
Total weighted items	11,555	11,425
Tier 1 capital after deductions as a percentage of total weighted items	24.1%	25.3%
Total capital ratio	27.8%	29.1%

The total capital is calculated in accordance with the CRD-IV rules and the FICOD II rules.

	2019	2018
<i>No. of shares</i>		
Reconciliation of the no. of shares (1,000)		
Issued shares, beginning of year	161,000	165,500
Treasury shares, beginning of year	-4,310	-5,915
No. of shares, beginning of year	156,690	159,585
Shares acquired/sold during the year	-2,379	-2,895
Cancellation of treasury shares	3,340	4,500
Issued shares, year end	157,660	161,000
Treasury shares, year end	-3,349	-4,310
No. of shares, year end	154,311	156,690
Nominal value, beginning of year	43	59
Acquired during the year, net	24	29
Cancellation of treasury shares	-33	-45
Nominal value, year-end	34	43
Holding (1,000) beginning of year	4,310	5,915
Acquired during the year	3,891	3,959
Sold during the year	-1,512	-1,064
Cancellation of treasury shares	-3,340	-4,500
Holding (1,000), year-end	3,349	4,310
Percentage of share capital, year-end	2.1%	2.7%
Average no. of shares (in thousands)	155,832	158,150
No. Og shares at year-end, diluted (ind thousands)	154,588	157,955
Average no. of shares, diluted (in thousands)	156,527	159,723
Earnings per share	2.9	3.6

DKKm	2019	2018
Note 25 Subordinated debt		
<i>Subordinated loan capital</i>		
Floating rate bullet loans maturing 2020.03.15	150	150
Floating rate bullet loans maturing 2024.04.01	250	250
Floating rate bullet loans maturing 2027.01.31	175	175
Subordinated loan capital, year-end	575	575
Subordinated debt, year-end	575	575
Subordinated debt, year-end, Non-life	150	150
Subordinated debt, year-end, Banking	175	175
Subordinated debt, year-end, Other	250	250
Subordinated debt, year-end	575	575
Interest on subordinated debt	23	23
Of which amortisation of costs incurred on raising	0	0
Extraordinary instalments	0	0

The subordinated loan capital in the Non-life Insurance segment carries interest at a floating rate of three-month CIBOR plus 1.75 basis points. The loan must be repaid in full on 15 March 2028. The loan may be repaid in full or in part from the first interest payment date after 15 March 2023.

The subordinated loan of DKK 175 million was issued on 31 January 2017. The interest rate is calculated as 6M CIBOR plus a fixed percentage of 5.25% p.a. The subordinated loan will have a 10-year maturity with an option for Alm. Brand Bank to terminate the loan after five years.

The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 2.5 percentage points. The loan must be repaid in full on 1 April 2029. The borrower may repay the loan in full or in part from 1 April 2024 at the earliest.

In connection with the calculation of the total capital, DKK 575 million of the group's subordinated capital of DKK 575 million was recognised in accordance with the applicable rules.

	2019	2018
Note 26 Provisions for insurance contracts		
Unearned premium provisions	1,227	1,188
Profit margin on non-life insurance contracts	404	419
Outstanding claims provisions	5,457	5,252
Risk margin on non-life insurance contracts	287	288
Life insurance provisions	15,861	14,051
Profit margin on life insurance contracts	357	428
Provisions for insurance contracts, year-end	23,593	21,626
<i>Unearned premium provisions</i>		
Unearned premium provisions, beginning of year	1,188	1,191
Premiums received	5,386	5,255
Premiums recognised as income	-5,365	-5,274
Discounting (bond maturity effect), all years	-6	7
Discounting (value adjustment), all years	33	-4
Change in profit margin	-12	7
Change in risk margin	3	6
Unearned premium provisions, year-end	1,227	1,188
<i>Profit margin on non-life insurance contracts</i>		
Profit margin, beginning of year	419	431
Discounting (bond maturity effect), all years	-5	-8
Discounting (value adjustment), all years	-22	3
Change for the year	12	-7
Profit margin, year-end	404	419

DKKm	2019	2018
<i>Outstanding claims provisions</i>		
Beginning of year	5,252	5,280
Claims paid regarding previous years	-1,443	-1,421
Change in expected claims expenses regarding previous years	-67	-174
Claims paid regarding current year	-2,075	-2,020
Expected claims expenses, current year	3,705	3,609
Discounting (bond maturity effect), all years	-36	9
Discounting (value adjustment), all years	143	-12
Hedging of inflation risk	-28	-31
Change in risk margin	6	12
Outstanding claims provisions, year-end	5,457	5,252
<i>Risk margin on non-life insurance contracts</i>		
Risk margin, beginning of year	288	301
Change for the year regarding previous years	-66	-72
Change for the year regarding current year	60	60
Discounting (bond maturity effect), all years	0	4
Discounting (value adjustment), all years	8	1
Change for the year in the risk margin on premiums	-3	-6
Risk margin, year-end	287	288
<i>Life insurance provisions</i>		
Life insurance provisions beginning of year	14,051	13,363
Profit margin, beginning of year	428	395
Total provisions for insurance contracts, beginning of year	14,479	13,758

	2019	2018
Life insurance provisions - continued		
Collective bonus potential, beginning of year	-1,220	-1,705
Accumulated value adjustments, beginning of year	-1,014	-1,117
Retrospective provisions, beginning of year	12,245	10,936
Adjustment, beginning of year*	-4	6
Gross premiums	1,850	2,004
Addition of return	436	484
Resetting of negative bonus	13	22
Claims and benefits	-1,034	-1,030
Expense supplement after addition of expense bonus	-91	-90
Risk gain after addition of risk bonus	-54	-66
Other changes	3	-21
Retrospective provisions, year-end	13,364	12,245
Accumulated value adjustments, year-end	1,150	1,014
Collective bonus potential, year-end	1,704	1,220
Total provisions for insurance contracts, year-end	16,218	14,479
Profit margin, year-end	-357	-428
Life insurance provisions, year-end	15,861	14,051

Alm. Brand Liv og Pension A/S writes average rate products with guaranteed benefits and option of surrender. The company's insurances are distributed on six portfolios. Four interest contribution groups are dependent on the guaranteed benefits provided in different periods. In addition, there is a closed portfolio of old life annuities without bonus entitlement (written on basis U74 and basis L66) and a portfolio of health and personal accident insurances.

* An adjustment made at the beginning of 2018 increased the retrospective provisions by DKK 6 million. The difference relative to year-end is attributable to a change in Alm. Brand's quota share of Forenede Gruppeliv.

Notes

DKKm	2014	2015	2016	2017	2018	2019	Total
<i>Run-off triangle, gross</i>							
Estimated accumulated claims							
Year-end	3,433	3,505	3,460	3,537	3,624	3,685	
1 year later	3,413	3,347	3,366	3,526	3,586		
2 years later	3,291	3,298	3,326	3,573			
3 years later	3,192	3,297	3,383				
4 years later	3,194	3,320					
5 years later	3,214						
	3,214	3,320	3,383	3,573	3,586	3,685	20,761
Paid to date	-2,977	-3,004	-2,972	-3,038	-2,818	-2,070	-16,879
Provisions before discounting effect, year-end	237	316	411	535	768	1,615	3,882
Discounting effect	0	0	0	1	1	2	4
Acc. value change, health and personal accident insurance	6	7	13	8	15	14	63
	243	323	424	544	784	1,631	3,949
Provisions from 2013 and prior years							1,508
Gross outstanding claims provisions, year-end							5,457
<i>Run-off triangle, net of reinsurance</i>							
Estimated accumulated claims							
Year-end	3,362	3,411	3,388	3,442	3,603	3,670	
1 year later	3,348	3,272	3,287	3,431	3,556		
2 years later	3,226	3,226	3,239	3,476			
3 years later	3,123	3,223	3,295				
4 years later	3,126	3,248					
5 years later	3,149						
	3,149	3,248	3,295	3,476	3,556	3,670	20,394
Paid to date	-2,917	-2,943	-2,908	-2,954	-2,810	-2,068	-16,600
Provisions before discounting effect, year-end	232	305	387	522	746	1,602	3,794
Discounting effect	0	0	0	1	1	2	4
Acc. change, health and personal accident insurance	4	3	6	4	6	7	30
	236	308	393	527	753	1,611	3,828
Provisions from 2013 and prior years							1,490
Outstanding claims provisions year-end, net of reinsurance							5,318

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2014 to 2019. The stated liabilities were calculated excluding discounting, thus eliminating fluctuations due to changes in discount rates and discounting methods. Worker's compensation and health and personal accident insurance are, however, calculated including discounting. The development is presented gross as well as net of reinsurance.

Notes

DKKm				2019		
	Guaranteed benefits	Individual bonus- potential	Collective bonus- potential	Total	Return rate (%)	Bonus- rate (%)
<i>Life insurance provisions per basis</i>						
Interest rate group 0	10,095	445	1,296	11,836	9.7	16.3
Interest rate group 1	852	1	143	996	8.4	19.9
Interest rate group 2	918	2	99	1,019	5.4	13.0
Interest rate group 3	1,799	3	166	1,968	7.1	15.2
Interest rate group L66/U74	42	0	0	42	-	-
Risk groups	0	0	0	0	-	-
	13,706	451	1,704	15,861	9.2	16.1
2018						
	Guaranteed benefits	Individual bonus- potential	Collective bonus- potential	Total	Return rate (%)	Bonus- rate (%)
<i>Life insurance provisions per basis</i>						
Interest rate group 0	7,784	1,048	761	9,593	0.8	19.8
Interest rate group 1	925	3	171	1,099	0.7	20.6
Interest rate group 2	990	2	128	1,120	-0.8	14.7
Interest rate group 3	2,022	3	160	2,185	-0.8	12.2
Interest rate group L66/U74	54	0	0	54	-	-
Risk groups	0	0	0	0	-	-
	11,775	1,056	1,220	14,051	-0.4	18.6

No collective bonus potential was added to the expense groups.

Notes

DKKm	2019	2018		2019	2018
<i>Expense result</i>			<i>Riskmargin</i>		
Cost contribution after addition of expense bonus	107	104	Interest rate group 0	59	76
Insurance operating expenses for the year, net of reinsurance	-103	-96	Interest rate group 1	3	5
Expense result, net of reinsurance	4	8	Interest rate group 2	3	4
			Interest rate group 3	6	9
Expense result as a percentage of technical provisions	0	0.0	Interest rate group L66/U74	2	2
			Total risk margin	73	96
<i>Risk result</i>			<i>Profit margin</i>		
Risk group death	47	49	Interest rate group 0	297	349
Risk group disability	-1	7	Interest rate group 1	16	21
Risk group surviv - L1	-1	9	Interest rate group 2	14	18
Risk group surviv - L2	-1	-1	Interest rate group 3	30	40
Risk result after addition of risk bonus, net of reinsurance	44	64	Total profit margin	357	428
Risk resultat as a percentage of technical provisions	0.3	0.4			
Return on policyholder's funds after costs before tax (%)	8.2	-1.1			

DKKm	2019	2018
<i>Undiscounted expected cash flows</i>		
<u>Life insurance provisions</u>		
Cash flow 1 year or less	1,122	760
Cash flow 1-5 years	2,919	2,212
Cash flow 5 years or more	10,878	11,303
<u>Gross claims provisions</u>		
Cash flow 1 year or less	187	190
Cash flow 1-5 years	736	734
Cash flow 5 years or more	277	274
<u>Profit margin, gross</u>		
Cash flow 1 year or less	1,267	1,252
Cash flow 1-5 years	-650	-645
Cash flow 5 years or more	-232	-199
<u>Claims provisions, gross</u>		
Cash flow 1 year or less	2,060	2,114
Cash flow 1-5 years	1,760	1,742
Cash flow 5 years or more	1,700	1,396
<u>Risk margin, gross</u>		
Cash flow 1 year or less	54	56
Cash flow 1-5 years	106	110
Cash flow 5 years or more	119	114

Calculation of claims provisions

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provision models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation consists of an inflation element and a real wage element.

The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the government bond adjusted yield curve of the Danish Financial Supervisory Authority.

In workers' compensation, provisions relating to claims years more than ten years back are also discounted.

Sensitivity of provisions

Social inflation may have a great impact on our results and the size of outstanding claims provisions. Social inflation can be a tendency for the courts to increase claims payments, changed case handling procedures with the public authorities which lead to higher claims and legislative changes that affect benefit levels, also with retroactive effect.

Social inflation has a particular impact on claims levels within workers' compensation, vehicle and liability insurance. When discounted provisions are made, expectations of the future inflation and discount rates on long-tail business are sensitive to changes.

Adequacy of provisions

The outstanding claims provisions are calculated using actuarial methods and with due consideration to avoiding run-off losses and run-off gains. At the time they are calculated, the provisions represent the best estimate of future claims expenses in respect of the current and earlier claims years. The outstanding claims provisions are recalculated every month, which means that the level is considered adequate at all times.

DKKm	2019	2018
Note 27 Other provisions		
Provisions for jubilees, severance payments, bonus, etc.	22	30
Provisions for losses on guarantees	15	22
Provisions for credit commitments and undrawn facilities	4	0
Other provisions, year-end	41	52
Provisions for jubilees, severance payment, bonus, etc., beginning of year	30	31
New and adjusted provisions	3	4
Net provisions recognised during the year	-10	-1
Reversed provisions during the year	-3	-3
Discounting effect	2	-1
Provisions for jubilees, severance payment, bonus, etc., year-end	22	30

DKKm	2019	2018
Provisions for losses on guarantees beginning of year	22	5
Change in accounting policies	0	4
Provisions for the year	11	21
Reversed provisions for the year	-18	-8
Provisions for losses on guarantees, year-end	15	22

The provision for anniversaries, severance of service, etc. has been calculated using an estimated likelihood of disbursement.

Note 28 Other liabilities

Payables to policyholders	55	74
Payables related to direct insurance	19	20
Payables related to reinsurance	47	61
Payables to group enterprises	2	2
Negative market value of derivatives	563	478
Individual pension return tax payable	76	85
Lease liability	176	0
Other payables	649	534
Deferred income	41	41
Other liabilities, year-end	1,628	1,295

For an overview of the net position in derivative financial instruments, see Note 40 Offsetting. The calculation of the lease liability is based on a weighted average borrowing rate of 0.4%. In connection with the implementation of IFRS 16, a liability of DKK 196 million was recognised at 1 January 2019.

	2019	2018
Note 29 Deposits		
Deposits at call	8,947	8,678
At notice	163	260
Special categories of deposits	1,382	1,360
Deposits, year-end	10,492	10,298

Note 30 Payables to credit institutions and central banks

Credit institutions	838	431
Payables to credit institutions and central banks, year-end	838	431

By term to maturity:

Due on demand	838	431
Up to and including 3 months	0	0
Over 3 months and up to and including 1 year	0	0
Over 1 year and up to and including 5 year	0	0
Over 5 years	0	0
Year-end	838	431

Debt arising from genuine purchase and resale transactions:

Payables to credit institutions and central banks	0	0
Other payables	0	0
Year-end	0	0

Note 31 Technical result, Non-life Insurance

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2019 Total
Gross premiums	637	429	492	995	1,155	1,258	133	262	5,361
Gross premium income	641	429	492	995	1,155	1,258	133	262	5,365
Gross claims expenses	-301	-304	-419	-670	-755	-841	-75	-272	-3,637
Gross operating expenses	-151	-52	-81	-160	-234	-205	-26	-47	-956
Profit/loss from business ceded	-11	-3	-2	-5	-45	-177	-2	-1	-246
Total technical result	178	70	0	160	121	35	30	-58	526
No. of claims	12,438	5,416	17,759	99,556	64,101	20,289	2,354	27,212	249,125
Frequency of claims	0.036	0.181	0.047	0.290	-0.162	0.173	0.048	0.117	0.132
Average damages paid for claims incurred, DKK '000	31	55	23	7	12	43	35	10	15

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2018 Total
Gross premiums	633	389	484	964	1,133	1,267	129	256	5,255
Gross premium income	635	388	494	963	1,140	1,271	127	256	5,274
Gross claims expenses	-317	-197	-356	-661	-774	-848	-52	-231	-3,436
Gross operating expenses	-141	-39	-75	-163	-232	-203	-17	-38	-908
Profit/loss from business ceded	1	-3	4	-5	-50	-189	-2	-1	-245
Total technical result	178	149	0	134	84	31	56	-14	685
No. of claims	12,262	5,145	18,236	100,616	64,783	20,003	2,248	27,736	251,029
Frequency of claims	0.035	0.162	0.048	0.293	0.160	0.167	0.046	0.118	0.132
Average damages paid for claims incurred, DKK '000	32	51	22	7	12	45	28	9	14

Direct insurance is written only in Denmark

DKKm	2019	2018
Note 32 Return requirement for shareholders' equity, Life Insurance		
Return on investments allocated to equity	-3	-4
Result of portfolios without bonus entitlement	5	1
Interest result	29	27
Expense result	4	8
Risk result	44	62
Group life	12	10
Profit/loss for the year before tax	91	104

Return on equity principles

The Executive Order on the contribution principle issued by the Danish Financial Supervisory Authority lays down the guidelines for return on equity. The return on equity is composed of the direct return on shareholders' equity funds, a risk allowance and the result of portfolios without bonus entitlement.

Customers have been divided into a number of contribution groups based on rate of interest, insurance risk and expenses. The risk premium on shareholders' equity is calculated separately for each group. Similarly, any shadow account, collective bonus potential, transfer and surrender charge, etc. will be determined separately for each contribution group.

The risk allowance for 2018 has been determined as follows:

- Interest rate group: 0.2% of average life insurance provisions net of reinsurance
- Insurance groups: 100% of the risk result net of reinsurance after bonuses including Forenede Gruppeliv

- Expense groups: 100% of the expense result net of reinsurance after bonuses including Forenede Gruppeliv
- Result of Forenede Gruppeliv including commission payments after deduction of the items included in the expense and risk result.

The risk premium is calculated exclusively on the basis of the portfolio of policies with bonus entitlement. For policies without bonus entitlement, including life annuities without bonus entitlement, the result, positive or negative, is fully allocated to equity.

The return on equity principles are unchanged for 2020, except for the disability insurance group, which is now calculated net of reinsurance.

DKKm	2019			2018		
Note 33 Segment reporting, Non-life Insurance						
	Private	Commercial	Total	Private	Commercial	Total
Gross premium income	2,695	2,670	5,365	2,670	2,604	5,274
Gross claims expenses	-1,784	-1,853	-3,637	-1,771	-1,665	-3,436
Operating expenses relating to insurance activities	-527	-429	-956	-514	-394	-908
Reinsurance profit/loss	-59	-187	-246	-51	-194	-245
Technical result	325	201	526	334	351	685
Run-off result, claims	81	-14	67	95	101	196
Run-off result, risk margin	27	39	66	30	42	72
Gross claims ratio	66.2	69.4	65.2	66.3	64.0	65.2
Net reinsurance ratio	2.2	7.0	4.6	1.9	7.4	4.6
Claims experience	68.4	76.4	69.8	68.2	71.4	69.8
Gross expense ratio	19.5	16.1	17.2	19.3	15.1	17.2
Combined ratio	87.9	92.5	87.0	87.5	86.5	87.0

Non-life Insurance is divided into Private and Commercial. Private comprises the group's sales of insurances to private households through own sales channels and the group's health and personal accident activities, which for legal purposes are placed in Alm. Brand Liv og Pension. Commercial comprises the group's sales to agricultural and commercial customers through own sales channels and partnerships. The management reporting related to Private and Commercial consists exclusively of reporting of the technical result.

Transactions between the segments are settled on market terms. The recognition and measurement criteria are consistent with the group's accounting policies. The line items used are consistent with the financial highlights in the management's review and as described in Accounting policies.

Direct insurance is only written in Denmark.

See the management's review for a more detailed description of the segments and the organisational basis.

DKKkm 2019 2018

Note 34 Segment reporting, Banking

	Total	Total
Net interest and fee income	365	340
Trading income	202	138
Leasing	75	75
Other income	64	51
Total income	706	604
Costs	-673	-598
Core earnings	33	6
Investment portfolio earnings	-60	-42
Profit/loss before amortisation and impairment writedowns	-27	-36
Amortisation, customer relationship	-32	-24
Impairment writedowns	75	86
Profit/loss before tax	16	26
Loans and advances	4,960	4,452
Winding-up portfolio	0	503
Deposits	10,824	10,480
Shareholders' equity	1,896	1,984
Total assets	13,470	13,225

Net interest and fee income originates from lending to private customers, small and medium-sized businesses and from the winding-up portfolio. Further included is income from Non-life Insurance related to the administration of mortgage deeds.

Trading income consists of income from customers in Financial Markets, including brokerage and management fees.

Leasing consists of income from lease agreements with private and commercial customers. Indtægterne er opgjort netto dvs. efter afskrivninger på leasingaktiverne.

Other income consists of other operating income, including rental income, proceeds from the sale of properties and an option premium for the hedging coverage of credit risk on mortgage deeds sold to Non-life Insurance.

Costs comprise remuneration for the Management Board and the Board of Directors and staff costs and other administrative expenses. Further included are amortisation and depreciation intangible assets and property plant and equipment which are not lease assets.

Investment portfolio earnings consist of the return on the own portfolio of bonds, sector equities and shares taken over for credit defence purposes. Further included is the result of internal funding, interest paid on a subordinated loan, interest from money market placements, hedging of interest and currency positions in the banking group.

Amortisation of the intangible asset customer relations is shown as a separate line item in the financial highlights.

Impairment writedowns comprise credit losses from loans and advances and mortgage deeds as well as income from exposures previously written off.

DKK m	2019	2018
Note 35 Contingent liabilities, guarantees and lease agreements		
Guarantee commitments	4,993	2,708

The group's companies have made lease and rental agreements for computer equipment with total annual payments of DKK 94 million allocated over a five-year period. Operating lease liabilities amounted to DKK 62 million at 31 December 2018. To this amount was added lease payments of DKK 139 million in extension periods which are expected to be utilised with reasonable certainty, and the amount was then adjusted for discounting in a negative amount of DKK 5 million for a total lease liability of DKK 196 million at 1 January 2019.

The companies of the group have undertaken to participate in investing in unlisted securities in the amount of DKK 363 million.

As part of its ordinary banking operations, Alm. Brand Bank has a number of contingent liabilities, which in accordance with IFRS are not recognised in the balance sheet. Financial guarantees and loss guarantees in respect of mortgage loans were mainly provided in connection with the business partnership agreements with Totalkredit, DLR Kredit and BRF Kredit, and other contingent liabilities include guarantees provided to the Private Contingency Association and the Danish Guarantee Fund for Depositors and Investors. Alm. Brand Bank has off-balance sheet guarantee commitments in the form of finance guarantees, loss guarantees in respect of mortgage loans, etc. totalling DKK 4.4 billion.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 9.5 million relating to property. Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 0.4 million.

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm.

DKK m	2019	2018
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Brand af 1792 (Winding-up pension fund). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as an administration company. Alm. Brand A/S has unlimited, joint and several liability together with the other jointly taxed companies for corporate income tax payable from and including the 2013 financial year and for withholding taxes on dividends, interest and royalties from and including 1 July 2012. The net liability of the jointly taxed companies to SKAT is specified in segment reporting, balance sheet. Any subsequent adjustments of income subject to joint taxation and withholding tax, etc. could cause Alm. Brand A/S's

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

Note 36 Collateral security

Carrying amounts of assets provided as collateral security for technical provisions

Government bonds	2,810	2,499
corporate bonds	11,075	9,904
Equity investments	2,271	2,056
Collective investment undertakings	962	852
Cash and deposits	234	86
Loans, including mortgage loans	6	6
Property plant and equipment	176	176
Collateral security, year-end	17,534	15,579

Monetary-policy counterparties with the Danish Central Bank can obtain credit only against security through the mortgaging of approved securities.

As part of its current operations, the bank provided collateral security to Danmarks Nationalbank and Clearstream in the form of bonds representing a nominal value of DKK 468 million (2018:

DKK 507 million). The collateral security provided is not subject to any special conditions. As collateral for positive and negative fair values of derivative financial instruments, respectively, cash in the amount of DKK 0 million was received and cash in the amount of DKK 138 million was paid at 31 December 2019 (2018: DKK 1 million and DKK 145 million).

In repo transactions (sale of securities which the group agrees to repurchase at a later date), the securities remain in the balance sheet, and the consideration received is recognised under payables. Securities in repo transactions are treated as assets placed as collateral for obligations. The counterparty is entitled to sell or remortgage the securities received.

In reverse transactions (purchase of securities that the group agrees to resell at a later date), the group is entitled to sell or remortgage the securities. The securities are not recognised in the balance sheet, and the consideration paid is recognised under receivables.

Assets received as collateral in connection with reverse transactions may be resold to third parties. If this is the case, a negative portfolio may arise due to the accounting rules. This is recognised under "Other liabilities". As at 31 December 2019, the fair value of financial assets accepted as collateral security which have been sold or remortgaged amounted to DKK 47 million (2018: DKK 0 million). Alm. Brand Bank is required to return similar securities.

DKKm	2019	2018
Assets sold as part of repo transactions:		
Bonds at fair value	0	0
Assets bought as part of reverse transactions:		
Bonds at fair value	150	0

Note 37 Related parties

The Alm. Brand A/S Group considers the following to be related parties:

- Alm. Brand af 1792 fmba (parent company)
- The Management Board and Board of Directors of Alm. Brand Group
- Key employees

Related parties also include related family members of the Management Board, Board of Directors and key employees as well as companies in which these persons have significant interests.

The Alm. Brand Group handles administrative tasks for Alm. Brand af 1792 fmba.

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S, DKK 150 million to Alm. Brand Forsikring and subordinated loan capital of DKK 175 million to Alm. Brand Bank A/S.

An overview of subsidiaries is provided in the corporate overview.

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value. The

Alm. Brand Forsikring A/S has an option agreement with Alm. Brand Bank A/S to sell back mortgage deeds to the bank if a debtor defaults on its payment obligations. The bank thus assumes the underlying credit risk on the mortgage deeds, while the market risk is assumed by Alm. Brand Forsikring A/S, including the risk of interest rate changes and early redemption.

Alm. Brand A/S has issued a guarantee to Alm. Brand Bank, covering 75% (most secure part) of the residual risk on the portfolio of cars held on operating leases. The guarantee is limited to DKK 500 million, and an annual commission of 0.75% of the utilised guarantee is paid. An amount of DKK 2.4 million was paid in 2019.

DKKm

2019

	Alm. Brand af 1792 fmba	Key employees	Management Board and board of directors of A/S	Companies controlled by members of the Board of Directors	
					Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.
Sale of services	1,837	1	5	0	See note 26 Acquisition costs and administrative expenses, which sets out further details on remuneration paid to the group's Board of Directors, Management Board and other senior executives.
Purchase of services	1,300	0	0	1	
Interest and fee income	0	0	0	0	
Interest and fee expenses	18	0	1	0	In addition to the remuneration paid to members of the Board of Directors, Management Board, etc. in the financial year, the following transactions took place between the Alm. Brand Group and the related parties:
Receivables	0	2	2	1	
Debt	613	7	37	0	
Collateral	0	2	2	0	The buying and selling of services comprising insurance services and the provision of bank products in the form of loans, guarantees, credits and buying/selling of mortgage deeds etc. is made on an arm's length basis.
Interest rates on loans		1.5-2.5%	1.5-2.5%	1.5-2.5%	

2018

	Alm. Brand af 1792 fmba	Key employees	Management Board and board of directors of A/S	Companies controlled by members of the Board of Directors	
					Board members elected by the employees, however, obtain the usual staff terms. Payables comprise deposits with the bank, pension deposits in banking and Pension etc. No losses or impairment charges were recognised on related party transactions in the financial year or the previous financial year.
Sale of services	892	2	7	0	
Purchase of services	331	0	2	0	
Interest and fee income	0	0	0	0	
Interest and fee expenses	23	0	2	0	
Receivables	0	16	2	2	
Debt	588	20	70	0	
Collateral	0	5	1	1	
Interest rates on loans		1.5-4.5%	1.5-4.5%	1.5-2.5%	

DKKm 2019 2018

Note 38 Fair value and classification of financial assets, liabilities and instruments

	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
<i>Assets at fair value classified on initial recognition using the fair value option</i>						
Loans and advances	936	0	936	1,096	0	1,096
<i>Assets at fair value through income statement</i>						
Government bonds	2,517	0	2,517	2,298	0	2,298
Mortgage bonds	22,224	0	22,224	20,551	0	20,551
Other fixed-rate instruments	2,722	0	2,722	2,376	0	2,376
Other floating-rate instruments	219	0	219	248	0	248
Listed shares	1,721	0	1,721	1,624	0	1,624
Unlisted shares	477	0	477	251	0	251
Other investment assets	0	0	0	0	0	0
Positive market value of derivative financial instruments	1,151	0	1,151	510	0	510
<i>Loans and receivables at amortised cost</i>						
Loans and advances at amortised cost	4,595	4,578	4,578	4,677	4,649	4,649
Bonds at amortised cost	651	651	651	672	672	672
Receivables from policyholders	153	153	153	182	182	182
Receivables from insurance brokers	6	6	6	6	6	6
Receivables from insurance companies	40	40	40	43	43	43
Other receivables	37	37	37	24	24	24
Pensionskassen under Alm. Brand A/S	8	8	8	15	15	15
Interest receivable	176	0	176	176	0	176
Balances due from credit institutions and central banks	792	792	792	861	861	861
Assets temporarily acquired	0	0	0	0	0	0
Other assets	127	127	127	359	359	359
Cash in hand and demand deposits	244	244	244	232	232	232
Financial assets, year-end	37,860	6,636	37,843	35,105	7,043	35,077

DKKm	2019			2018		
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
<i>Liabilities at fair value through income statement</i>						
Negative market value of derivative financial instruments	563	0	563	478	0	478
<i>Liabilities, amortised cost</i>						
Subordinated debt	575	575	575	575	575	575
Payables to policyholders	55	55	55	74	74	74
Payables related to direct insurance	19	19	19	20	20	20
Payables related to reinsurance	47	47	47	61	61	61
Payables to group enterprises	2	2	2	2	2	2
Deposits	10,493	10,492	10,492	10,299	10,298	10,298
Payables to credit institutions and central banks	838	838	838	431	431	431
Liabilities temporarily acquired	0	0	0	0	0	0
Other payables	649	649	649	534	534	534
Financial liabilities, year-end	13,241	12,677	13,240	12,474	11,995	12,473

Loans, advances and receivables at fair value, bonds at fair value, shares etc. and derivatives are measured at fair value in the financial statements so that recognised values equal fair values.

The difference between the fair value and the recognised value of Loans, advances and receivables at amortised cost is assumed to equal the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the loans were established. Changes in the credit quality are not taken into account as these are assumed to be included in impairment on loans for recognised values as well as fair values.

The fair value of deposits and other payables is assumed to equal the interest rate level-dependent value adjustment calculated by comparing current market rates with the market rates prevailing when the deposits were established.

Subordinated debt is measured at amortised cost. The difference relative to fair values is assumed to be the interest rate level-independent value adjustment calculated by comparing current market rates with the market rates prevailing when the issues were made. As regards the bank's subordinated debt, changes in fair values due to changes in the bank's own credit rating are not taken into account.

Notes

Fair value adjustments of financial assets and liabilities represent a total unrecognised unrealised gain of DKK 16 million at the end of 2019 and are attributable to higher interest rates on the underlying assets and liabilities relative to the level of interest rates at year-end. This adjustment was mainly attributable to Subordinated debt.

In the accounting policies, the calculation of fair values is described further for items recognised at fair value.

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
<i>Fair value measurement of financial instruments</i>										
<i>Level 1</i>										
<u>Financial assets</u>										
Loans and advances	0	0	0		0	0	0	0	0	0
Bonds	6,440	9,950	3,629	0	20,019	6,132	9,767	2,970	0	18,869
Shares	0	1,701	20	0	1,721	0	1,597	27	0	1,624
Other assets	0	0	0	0	0	0	0	0	0	0
Total financial assets	6,440	11,651	3,649	0	21,740	6,132	11,364	2,997	0	20,493
<u>Financial liabilities</u>										
Subordinated debt	0	0	0	0	0	0	0	0	0	0
Other payables	0	0	0	0	0	0	0	0	0	0
Total financial liabilities	0	0	0	0	0	0	0	0	0	0

Notes

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
<i>Level 2</i>										
<u>Financial assets</u>										
Loans and advances	0	0	4680	0	4,578	0	0	4,763	0	4,649
Bonds	2242	3,739	1674	0	7,655	2,343	2,417	1,837	0	6,597
Shares	0	0	143	0	143	0	0	158	0	158
Other assets	342	940	51	0	1,328	240	383	68	0	687
Total financial assets	2,584	4,679	6,548	0	13,704	2,583	2,800	6,826	0	12,091
<u>Financial liabilities</u>										
Liabilities temporarily acquired	0	0	0	0	0	0	0	0	0	0
Deposits	0	0	10824	0	10,492	0	0	10,480	0	10,298
Other payables	298	359	49	0	604	418	155	58	0	517
Total financial liabilities	298	359	10,873	0	11,096	418	155	10,538	0	10,815
<i>Level 3</i>										
<u>Financial assets</u>										
Loans and advances	803	0	133	0	936	941	0	155	0	1,096
Bonds	0	6	0	2	8	0	5	0	2	7
Shares	53	174	106	1	334	9	6	77	1	93
Investment properties	6	1,470	17	0	750	13	1,395	18	0	724
Other assets	0	0	0	0	0	0	0	0	0	0
Total financial assets	862	1,650	256	3	2,028	963	1,406	250	3	1,920
<u>Financial liabilities</u>										
Subordinated debt	150	150	175	250	575	150	150	175	250	575
Deposits	0	0	0	0	0	0	0	0	0	0
Other payables	0	0	5	0	0	0	0	4	0	0
Total financial liabilities	150	150	180	250	575	150	150	179	250	575

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

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

Level 2 is used where no quoted price is available but where the use of another official price is deemed to best reflect the fair value. In the case of listed securities for which the closing price does not represent fair value, valuation techniques or other observable data are used to determine fair value. Depending on the nature of the asset or liability, these may be calculations based on underlying parameters such as yields, exchange rates and volatility or with reference to transaction prices for similar instruments.

Level 3 is used for financial assets and liabilities the valuation of which cannot be based on observable data due to such data not being available or not being deemed to be usable for the determination of fair value. Instead recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value. The 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. Due to a revaluation in 2018, the bank's subordinated loan of DKK 175 million has been reclassified from level 2 to level 3. There have been no changes to the data basis. Other than this, there were no transfers between categories in the fair value hierarchy in 2018 or 2019.

Loans, advances and other receivables at fair value comprises mortgage deeds measured using a valuation model which estimates the present value of expected future cash flows. The valuation is based in part on observable market data (interest rates) and in part on expected future redemption and loss rates. Measurement at fair value is based on a swap yield curve plus 50 basis points and expected repayment rates between 3.9 % and 9.4 %, depending on whether the counterparty is a commercial or a private customer, and expected loss rates in the 0.75%-4.25% range, depending on property type and loan-to-value ratios. If the average expected repayment rate is increased by 1 percentage point and the expected loss rates are increased by 0.5 of a percentage point, a negative change of the fair value for the market value model of DKK 23.0 million (2018: DKK 24.1 million). See note 47 Accounting policies for additional information.

Bonds measured at quoted prices primarily comprise Danish mortgage bonds and, to a lesser extent, Danish government bonds and corporate bonds. These bonds are attributed to level 1 if a quoted price is identified within 1-3 trading days before the date of calculation (depending on the type of bond). Bonds which are not traded are attributed to level 2. The method is unchanged, but the presentation was changed in 2018 to the effect that these bonds are now distributed on levels 1 and 2. Other bonds included in level 2 are those which, as a result of lack of market liquidity, are measured based on market rates and yield spreads to these as observed for similar issues. Bonds included in level 3 consist of a small amount contributed to a fund. If the yield increases by 1 percentage point, the value of this bond portfolio will decline by DKK 0.5 million.

Bonds at amortised cost comprise a bond which is expected to be held to maturity. The fair value has been measured on the basis of a model calculated price.

Shares mainly comprise listed shares and equity futures measured at quoted prices. The bank's unlisted shares consist of sector-owned companies and shares received for credit-defence purposes.

For unlisted shares in sector-owned companies where the shares are redistributed, such redistribution is considered to represent the primary market for the shares. The fair value is determined as the redistribution price, and the shares are recognised as level 2 assets. For other unlisted shares and shares received by the bank for credit-defence purposes where no observable input is immediately available, the measurement is based on an estimate which builds on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties. The shares are included in level 3. A 10% drop in share prices would cause the value to decline by DKK 33.4 million in aggregate.

Other assets comprises interest receivable at DKK 176 million and positive values of derivative financial instruments at DKK 1,151 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments mainly comprise interest rate swaps, which are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable interest rate points, interpolation between interest rate points and exchange rates. Listed futures and options are measured on the basis of obtainable prices. Unlisted options are measured on the basis of obtainable volatilities, prices of underlying assets and exercise prices using Black-Scholes. Forward exchange transactions are measured on the basis of obtainable forward premiums and exchange rates. Inflation swaps are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable index points og interest rate points, interpolation between these and exchange rates.

Other liabilities comprises interest payable at 5 million and negative values of derivative financial instruments at 563 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments are valued on the basis of listed prices from an active market and using generally accepted valuation models with observable data, including yield curves, volatilities and equity indices.

The vast majority of financial instruments measured at amortised cost (loans, deposits) cannot be transferred without the customer's prior acceptance, and no active market exists for trading in such financial instruments. The specified information on fair value is therefore solely based on changes in interest rates relative to the time of establishment.

Owner-occupied properties and investment properties are measured in the same way. See note 15 for additional information regarding owneroccupied properties and note 21 for additional information about investment properties.

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Development in level 3 financial instruments										
<i>Loans and advances</i>										
Carrying amount, beginning of year	941	0	155	0	1,096	1,111	0	165	0	1,276
Additions during the year	0	0	4	0	4	0	0	8	0	8
Disposals during the year	-114	0	-37	0	-151	-130	0	-52	0	-182
Realised value adjustments	1	0	-4	0	-3	1	0	-2	0	-1
Unrealised value adjustments	-25	0	15	0	-10	-41	0	36	0	-5
Carrying amount, year-end	803	0	133	0	936	941	0	155	0	1,096

Notes

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Value adjustments recognised in the income statement	-24	0	11	0	-13	-40	0	34	0	-6
<i>Bonds</i>										
Carrying amount, beginning of year	0	5	0	2	7	0	8	0	2	10
Additions during the year	0	2	0	0	2	0	0	0	0	0
Disposals during the year	0	-1	0	0	-1	0	-3	0	0	-3
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	0	0	0	0	0	0	0	0
Carrying amount, year-end	0	6	0	2	8	0	5	0	2	7
Value adjustments recognised in the income statement	0	0	0	0	0	0	0	0	0	0
<i>Shares</i>										
Carrying amount, beginning of year	8	6	77	1	92	8	5	67	1	81
Additions during the year	43	166	4	0	213	0	1	7	0	8
Disposals during the year	0	0	0	0	0	0	0	0	0	0
Realised value adjustments	1	0	0	0	1	0	0	0	0	0
Unrealised value adjustments	1	2	25	0	28	1	0	3	0	4
Carrying amount, year-end	53	174	106	1	334	9	6	77	1	93
Value adjustments recognised										

Notes

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Value adjustments recognised in the income statement	0	0	0	0	0	0	0	0	0	0
<i>Other liabilities</i>										
Carrying amount, beginning of year	150	150	179	250	575	149	120	183	250	574
Additions during the year	0	0	0	250	250	150	150	0	0	150
Disposals during the year	0	0	0	-250	-250	-149	-120	0	0	-149
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	1	0	0	0	0	-4	0	0
Carrying amount, year-end	150	150	180	250	575	150	150	179	250	575
Value adjustments recognised in the income statement	0	0	1	0	0	0	0	-4	0	0

See note 9 for a specification from 1 January to 31 December of the investment properties.

Value adjustments are recognised in the income statement under value adjustments.

Rating of bonds										
Rated AAA	7,004	11,965	4,484	0	23,453	7,202	10,277	4,083	0	21,562
Rated AA- to AA+	1,267	1,074	672	0	3,013	918	1,339	580	0	2,837
Rated A- to A+	189	236	66	0	491	150	141	32	0	323
Others	222	420	81	2	725	205	432	112	2	751
Bonds at fair value, year-end	8,682	13,695	5,303	2	27,682	8,475	12,189	4,807	2	25,473

Notes

DKKm		2019					2018				
Note 39	Return on financial instruments										
		On initial recognition fair value	Assets through income statement	Assets at amortised cost	Debt at amortised cost	Total	On initial recognition fair value	Held for trading, fair value	Assets at amortised cost	Debt at amortised cost	Total
		15	487	203	0	705	26	429	216	0	671
		152	-64	139	0	227	127	-29	83	0	181
			0	294	0	294		0	471	0	471
		167	423	636	0	1,226	153	400	770	0	1,323
			-11	0	-35	-46		-33	0	-31	-64
		7	898	0	0	905	-59	-493	0	0	-552
		0	11	0	0	11	0	34	0	0	34
		0	0	81	0	81	0	0	77	0	77
		174	1,321	717	-35	2,177	94	-92	847	-31	818

Fee income from management activities amounted to DKK 110 million (2018: DKK 89 million), and fee expenses from management activities amounted to DKK 5 million (2018: DKK 5 million).

Notes

	Derivatives	Repo agreements	Total	Derivatives	Repo agreements	Total
Note 40 Offsetting						
<i>Financial assets</i>						
Recognised assets, gross	1,151	0	1,151	511	0	511
Liabilities offset in the balance sheet	0	0	0	0	0	0
Financial assets stated at net amounts in the balance sheet	1,151	0	1,151	511	0	511
<i>Related amounts which have not been offset in the balance sheet</i>						
Financial instruments	-2	0	-2	-19	0	-19
Financial collateral	-673	0	-673	-147	0	-147
Net amounts	476	0	476	345	0	345
 <i>Financial liabilities</i>						
Recognised liabilities, gross	563	0	563	477	0	477
Assets offset in the balance sheet	0	0	0	0	0	0
Financial liabilities stated at net amounts in the balance sheet	563	0	563	477	0	477
<i>Related amounts which have not been offset in the balance sheet</i>						
Financial instruments	-2	0	-2	-19	0	-19
Financial collateral	-31	0	-31	-20	0	-20
Net amounts	530	0	530	438	0	438

Derivative financial instruments are recognised in the balance sheet at fair value. Negative fair values are included under Other liabilities, while positive fair values in the banking segment are included under Other assets and in the other segments under Investment assets. Financial instruments in the balance sheet are comprised by framework agreements for netting or other agreements. Assets and liabilities are offset when Alm. Brand and the counterparty have a legally enforceable right to offset the recognised amounts and subsequently realise the assets and settle the liability simultaneously. Alm. Brand uses master netting agreements, which entitle the group to offset amounts when a counterparty is in default as the exposure to the counterparty in such a case would be reduced because of collateral security received. Collateral security reduces the exposure if a counterparty is in default, but it does not meet the criteria for offsetting in accordance with IFRS.

Notes

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Note 41 Financial instruments by term to maturity										
<i>Bonds</i>										
Expiry within 1 year	1,984	692	1,127	0	3,803	1,279	644	1,062	0	2,985
Expiry between 1 year and 5 years	4,765	3,890	2,888	0	11,543	5,753	4,318	3,479	0	13,550
Expiry after more than 5 years	1,933	9,113	1,288	2	12,336	1,443	7,227	266	2	8,938
Bonds, year-end	8,682	13,695	5,303	2	27,682	8,475	12,189	4,807	2	25,473
<i>Cash in hand and balances at call</i>										
Expiry within 1 year	238	105	232	1	244	96	96	221	1	232
Expiry between 1 year and 5 years	0	0	0	0	0	0	0	0	0	0
Expiry after more than 5 years	0	0	0	0	0	0	0	0	0	0
Cash in hand and balances at call, year-end	238	105	232	1	244	96	96	221	1	232
<i>Loans, advances and receivables</i>										
Expiry within 1 year	198	45	1,656	0	1,796	226	44	1,872	0	2,030
Expiry between 1 year and 5 years	178	0	2,246	0	2,424	194	0	2,110	0	2,304
Expiry after more than 5 years	582	0	1,703	0	2,285	706	0	1,796	0	2,502
Loans, advances and receivables, year-end	958	45	5,605	0	6,505	1,126	44	5,778	0	6,836
<i>Deposits and payables to credit institutions and central banks</i>										
Expiry within 1 month	258	635	9,447	0	9,907	260	266	9,033	0	9,264
Expiry between 1 month and 3 months	0	0	283	0	283	0	0	407	0	407
Expiry between 3 months and 1 year	0	0	20	0	20	0	0	17	0	17
Expiry between 1 year and 5 years	0	0	116	0	116	0	0	113	0	113
Expiry after more than 5 years	0	0	1,125	0	1,125	0	0	1,083	0	1,083
Deposits and payables to credit institutions and central banks, year-end	258	635	10,991	0	11,451	260	266	10,653	0	10,884

Notes

DKKm	2019					2018				
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
<i>Guarantees and rent commitments</i>										
Expiry within 3 months			1,613	11	1,613			403	11	403
Expiry between 3 months and 1 year			1,469	47	1,483			619	47	633
Expiry between 1 year and 5 years			219	81	211			193	133	237
Expiry after more than 5 years			1,057	0	1,057			1,179	4	1,183
Guarantees, year-end			4,358	139	4,497			2,394	195	2,456
<i>Financial liabilities</i>										
Expiry within 3 months	13	25	74	0	10	127	22	29	0	64
Expiry between 3 months and 1 year	0	0	3	0	-2	0	0	12	0	8
Expiry between 1 year and 5 years	136	49	17	0	202	22	33	8	0	63
Expiry after more than 5 years	149	285	7	0	441	269	100	13	0	382
Financial liabilities, year-end	298	359	101	0	651	418	155	62	0	517

The actual expiry dates may deviate from the contractual expiry dates as the issuers of the specific instruments may be entitled to repurchase the instrument before it expires. See note 26 Provisions for insurance contracts, which includes the expected cash flow for the group's claims and life insurance provisions. Amounts in the table above do not comprise interest payments.

DKKkm	2019	2018
Note 42 Credit risk		
<i>Credit risk by type of financial asset</i>		
Bonds at amortised cost	651	672
Reinsurers' share of insurance contracts	170	167
Receivables from policyholders	153	182
Receivables from insurance brokers	6	6
Receivables from insurance companies	40	43
Other receivables	37	24
Positive market value of derivative financial instruments, gross	1,151	510
Other assets	127	359
Interest receivable	176	176
Balances due from credit institutions and central banks	792	861
Loans and advances	5,514	5,745
Maximum credit risk, year-end	8,817	8,745

The group's exposure to credit risk primarily involves financial receivables such as mortgage deeds and other loans and advances as well as credit risk on the portfolio of credit bonds. The portfolio of credit bonds in the life insurance company forms part of customer investment assets. 100% of the portfolio of credit bonds carries an Investment Grade-rated (BBB- and higher). Overdue receivables in the non-life company are written off after nine months.

DKKkm	2019	2018
<i>Loans and guarantees distributed by sector and industry</i>		
Public authorities	0.0%	0.0%
Business sectors:		
Agriculture, hunting, forestry and fishery	0.8%	1.3%
Manufacturing and raw materials extraction	0.1%	0.2%
Energy supplies	0.0%	0.0%
Construction	1.5%	0.6%
Trade	0.2%	0.4%
Transport, restaurant and hotel industry	0.2%	1.0%
Information and communications	0.1%	0.2%
Credit and financing and insurance	5.0%	5.5%
Property administration and trading, business services	6.6%	9.6%
Other business	3.2%	3.2%
Business total	17.7%	22.0%
Private customers	82.3%	78.0%
Total	100.0%	100.0%

DKKm	2019	2018
Description of value of security for loans found to be impaired after individual assessment		
<i>Value of security</i>		
Real property, private	145	130
Real property, commercial	373	438
Cash and highly marketable securities	1	0
Cars	4	5
Other security	59	34
Value of security, year-end	582	607

Collateral security is valued on the following basis:

Real property; Estate agent valuation, reasoned internal assessment or public assessment considering type of property, location, condition and estimated marketability.

Cash and cash equivalents; Official price where available and otherwise the transaction price obtainable in a transaction between independent parties.

Goods, cars; Assessment from BilpriserPro considering type, model and age.

Personal property, other collateral; based on individual assessments.

The collateral security stated is unstressed. In the calculation of impairment writedowns on agricultural and property exposures in financial difficulty, the value of collateral security is calculated on the basis of realisable value upon a sale within six months.

Realised security, including conditions

<i>Value of realised security</i>		
Real property, commercial	0	1
Cars	3	3
Total value of realised security	3	4

Forced realisation of collateral becomes necessary if the bank cannot induce the creditor or the provider of collateral security to enter into a voluntary agreement on realisation. The bank always seeks to maximise the value of collateral by way of forced realisation. Before forced realisation of collateral is initiated, the debtor and/or the provider of collateral will receive typically eight days' notice, however, shorter notice may be given in case of an obvious risk of imminent impairment of the value of the collateral.

	2019	2018
Description of the total value of security at the balance sheet date		
<i>Value of security</i>		
Real property, private	6,315	3,338
Real property, commercial	886	1,102
Cash and highly marketable securities	269	359
Cars	128	124
Other security	128	83
Value of security, year-end	7,726	5,006

The assets are marked to market. See description earlier in this note.

Under the total credit exposure, DKK 0.8 billion (2018: DKK 0.9 billion) concerns a loss option to cover mortgage deeds in Alm. Brand Forsikring, whereas the associated collateral in real property is not included.

Notes

DKKm	2019					2018				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total
Loans and guarantees before impairment										
Rating category 1	1,257	3	0	0	1,260	608	0	0	0	608
Rating category 2	343	2	0	0	345	584	6	0	0	590
Rating category 3	652	4	0	0	656	1,403	17	0	0	1,420
Rating category 4	4,077	56	0	0	4,133	2,408	87	0	2	2,497
Rating category 5	3,521	456	0	0	3,977	1,557	189	0	0	1,746
Rating category 6	1,212	143	0	0	1,355	2,348	153	0	0	2,501
Rating category 7	4	33	0	0	37	33	65	0	0	98
Rating category 8	4	22	0	0	26	5	27	0	0	32
Rating category 9	1	178	0	0	179	0	149	0	0	149
Rating category 10	0	72	1,052	129	1,253	0	84	1,193	103	1,380
Total	11,071	969	1,052	129	13,221	8,946	777	1,193	105	11,021
Public authorities	0	0	0	0	0	0	0	0	0	0
<i>Business sectors:</i>										
Agriculture, hunting, forestry and fishery	7	89	309	9	414	16	98	412	2	528
Manufacturing and raw materials extraction	7	0	0	0	7	16	1	0	0	17
Energy supplies	2	0	0	0	2	1	0	1	0	2
Construction	166	0	0	0	166	108	1	0	0	109
Trade	44	3	0	2	49	59	2	0	1	62
Transport, restaurant and hotel industry	15	1	0	0	16	54	21	1	2	78
Information and communications	16	1	0	0	17	15	0	0	0	15
Credit and financing and insurance	722	15	19	0	756	757	33	25	0	815
Property administration and trading, business services	835	21	313	7	1,176	574	36	314	9	933
Other business	303	26	24	12	365	280	6	26	12	324
Business total	2,117	156	665	30	2,968	1,880	198	779	26	2,883
Private customers	8,954	813	387	99	10,253	7,066	579	414	79	8,138
Total	11,071	969	1,052	129	13,221	8,946	777	1,193	105	11,021

Notes

DKKm	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Loans and guarantees before impairment</i>								
Beginning of year	6,338	692	1,300	8,330	3,789	729	1,405	5,923
Transfer to stage 1	362	-280	-18	64	226	-326	-252	-352
Transfer to stage 2	-446	380	-46	-112	-295	277	-51	-69
Transfer to stage 3	-46	-29	70	-5	-27	-95	122	0
New exposures	2,734	106	87	2,927	3,374	128	128	3,630
Redeemed exposures	-1,305	-88	-178	-1,571	-12	-1	-16	-29
Change in balances	624	-18	-47	559	-717	-20	-36	-773
End of year	8,261	763	1,168	10,192	6,338	692	1,300	8,330
<i>Impairment of loans and guarantees</i>								
Beginning of year	-38	-81	-861	-980	-179	-70	-917	-1,166
Transfer to stage 1	-1	20	2	21	-1	26	225	250
Transfer to stage 2	3	-17	11	-3	4	-19	41	26
Transfer to stage 3	1	3	-32	-28	154	3	-162	-5
New exposures	-6	-4	-68	-78	-26	-31	-81	-138
Redeemed exposures	8	10	130	148	0	0	5	5
Change in balances	12	6	23	41	11	10	28	49
End of year	-21	-63	-795	-879	-37	-81	-861	-979
<i>Loans and guarantees after impairment</i>								
Beginning of year	6,300	611	438	7,349	3,609	659	488	4,756
Transfer to stage 1	361	-260	-16	85	225	-301	-27	-103
Transfer to stage 2	-442	363	-35	-114	-292	258	-10	-44
Transfer to stage 3	-45	-26	38	-33	127	-92	-40	-5
New exposures	2,727	101	20	2,848	3,349	97	47	3,493
Redeemed exposures	-1,297	-78	-48	-1,423	-12	0	-11	-23
Change in balances	636	-11	-24	601	-705	-10	-8	-723
End of year	8,240	700	373	9,313	6,301	611	439	7,351

DKKm	2019			2018		
	Loans and guarantees before impairment	Impairment	Carrying amount	Loans and guarantees before impairment	Impairment	Carrying amount
Loans and guarantees subject to forbearance						
Stage 2	35	0	35	61	0	61
Stage 3	553	-272	281	364	-145	219
Total	588	-272	316	425	-145	280
Credit-impaired non-defaulted loans and guarantees	526	-266	260	269	-68	201
Credit-impaired defaulted loans and guarantees	62	-6	56	156	-77	79
Total	588	-272	316	425	-145	280
Forbearance granted in respect of repayments due to financial difficulty	350	-141	209	382	-134	248
Rate of interest reduced or set to zero due to financial difficulty	238	-131	107	43	-11	32
Total	588	-272	316	425	-145	280

DKKkm	2019	2018		2019	2018
Note 43 Market risk					
<i>Currency risk</i>					
Foreign currency positions:			<i>Interest rate risk</i>		
Long positions	21,343	5,976	Total interest rate risk calculated		
Short positions	-17,482	-2,853	according to the group's internal approach.		
Net positions	3,861	3,123		2,241	1,329
Foreign currency positions distributed on the five largest net positions:					
EUR	2,359	1,746	The internal calculation approach is used for the management of day-to-day risk. The calculation approach applies modified option-adjusted durations for the calculation of interest rate risk in the event of a 1 percentage point increase in interest rates. Interest rate risk is measured as the expected loss on interest rate positions that would result from an immediate upwards or downwards change in all interest rates by 1 percentage point. The interest rate risk is calculated for each currency.		
SEK	295	277			
USD	181	153			
NOK	102	90			
BRL	99	85			
Other	825	772			
Total foreign currency positions	3,861	3,123			

	2019						
						% of share- holders' equity	
DKKkm	Non-life	Life *)	Banking *)	Other	Total		
Note 44 Sensitivity information							*) Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to Pension do not include risks related to securities owned by the policyholders.
<i>Sensitivity information, group</i>							
Risk on shareholders' equity in case of specific events:							
Interest rate increase of 1 percentage point	-89	-21	-68	3	-175	-3.8	
Interest rate fall of 1 percentage point	17	12	53	-3	79	1.7	
Share price fall of 15%	-33	0	-43	0	-76	-1.7	
Fall in property prices of 15%	-18	0	0	0	-18	-0.4	
Currency risks excluding EUR, 25% decline	0	0	-5	0	-5	-0.1	
1 percentage point spread widening	-160	-25	-120	0	-305	-6.7	
Caststrophe events:							
- one "100-year event"	-95	0	0	0	-95	-2.1	Note 45 Capital and risk management contains a detailed description of the risks assumed by th group.
- two "100-year events"	-224	0	0	0	-224	-4.9	

Capital management

The capital management is based on the achievement of three key business objectives:

- Having solid total capital which supports the statutory and the group-determined requirements
- Generating a return on consolidated shareholders' equity of 12.5% before tax
- Supporting a stable dividend policy

Alm. Brand's subsidiaries have defined their capital targets significantly above the solvency requirements for their capital. This ensures that the group's capital resources are sufficient to absorb a number of major adverse events such as a major windstorm or losses on the financial markets without such events having any impact on the companies' other liabilities.

The total capital is composed of shareholders' equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin.

In February 2020, the bank covered the add-on for eligible liabilities (called "the MREL add-on") by means of non-preferred senior debt. This is considered to further reduce the uncertainty surrounding the funding of the MREL add-on. This type of capital cannot be included in the bank's

total capital, but is part of the MREL capital.

Risk management

The objective of risk management in the Alm. Brand Group is to ensure that the risks assumed at any given time are calculated and reflect the companies' business strategy, risk profile and capital resources. This is achieved through identification, measurement via e.g. stress scenarios, active management and reporting of both actual and potential risks which the company is exposed to during the strategy period.

At least once annually, the Board of Directors of each individual subsidiary determines the company's overall policy for assuming risk and sets up the overall risk guidelines as well as the scope of the reporting requirements. The Board of Directors performs an ongoing assessment of the individual and aggregate risks in the relevant company and in that connection determines whether the risks are acceptable. On the basis of the Board of Directors' powers, the Management Board determines the day-to-day risk management.

The group has several committees ensuring that material issues are addressed in a uniform manner across the group. The group's central risk forum (RISKO) is a risk committee which serves to ensure advice, coordination and uniformity in the group compa-

nies with respect to accepting, calculating and reporting risk.

In addition, the investment committee has overall oversight with the management of the assets held in the individual Alm. Brand companies. This oversight is intended to ensure that the management is in compliance with legislation and with the decisions made by the boards of directors of the individual companies.

The IT security committee has overall responsibility for the group's IT security and for ensuring that the group maintains a balanced IT security level and has up-to-date IT security policies and guidelines. The IT security committee also makes cross-functional decisions and decides issues of a fundamental nature and sets up the contingency arrangements for the handling of any emergency situations.

The Alm. Brand Group's risk management is organised into three lines of defence. The first line of defence is defined as the operative management. The operative management is responsible for the ongoing assumption of risks, for the measurement and risk assessment of processes, for the establishment of business procedures, for the effective management of all material assignments and day-to-day activities subject to risk as well as for compliance with

applicable law and internal guidelines.

The second line of defence is defined as functions which are organised independently of the operative management and which monitor and report on risk, including validation of the applied risk management methods and models. The second line of defence advises the first line of defence with respect to the measurement and assessment of risk and the structuring of internal controls. In the Alm. Brand Group, the second line of defence consists of the risk management function, the compliance function, including the group's Data Protection Officer (DPO), and the actuarial function.

The third line of defence is defined as functions which are organised independently of the managing director and the group directors and of the performance of the tasks in the first and second lines of defence. In the Alm. Brand Group, the third line of defence consists of department of the internal auditor and the internal auditing function. The third line of defence makes an independent assessment of the operative processes, the risk management and the controls established. See the description of functions and the audit strategy defined by the Board of Directors.

In addition, a forum for operational risk col-

lates information about operational events in the Alm. Brand Group. Participating in this forum are Risk Management, Compliance, IT and Internal Audit. In addition, the group has established processes for the handling of new (and significantly changed) products to ensure that new risks are sufficiently hedged and that business procedures etc. are established before implementing new products or activities.

LIQUIDITY MANAGEMENT

The bank's Treasury department manages the group's liquidity centrally. On a day-to-day basis, the Treasury department monitors and manages liquidity based on the liquidity requirement of the entire group. The objective of the Treasury department is to ensure that liquidity is at all times sufficient to support operations and comply with the statutory requirements for the group companies. Compliance with liquidity requirements is ensured through internally defined limits. The liquidity management is determined on the basis of a conservative risk profile. In addition, there are adequate liquidity resources to continually ensure that the group will at any given time have the liquidity required to cover day-to-day operations.

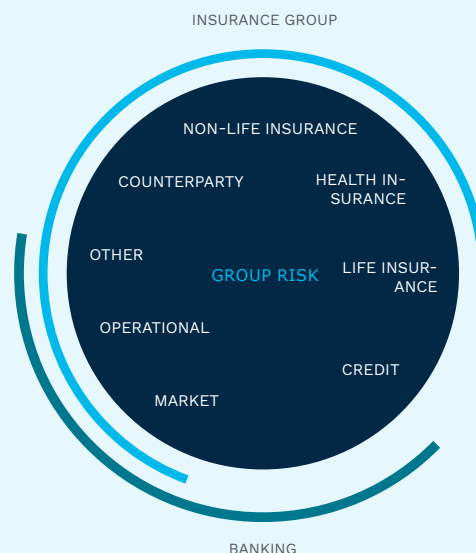
RISK FACTORS

We take various types of calculated risk in support of the group's long-term business objectives. The content and size of risks encountered in the various business areas differ considerably, but generally risk parameters for the group can be illustrated as shown in the figure below.

The sections below provide details on the risk scenarios of Alm. Brand Forsikring A/S, Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S.

ALM. BRAND FORSIKRING A/S

Risk parameters



In all significant areas, it has been considered what the desired risk profile of Alm. Brand Forsikring A/S should be. Business procedures and controls in that respect have been designed and reports are submitted to the Board of Directors and Management Board of Alm. Brand Forsikring A/S on a regular basis.

Insurance risks

The primary risks are premium risks (the risk of claims expenses and costs exceeding premium income), claims provision risks (the risk of provisions being too low relative to the ultimate cost of the loss) and catastrophe risks (the cost of extreme events).

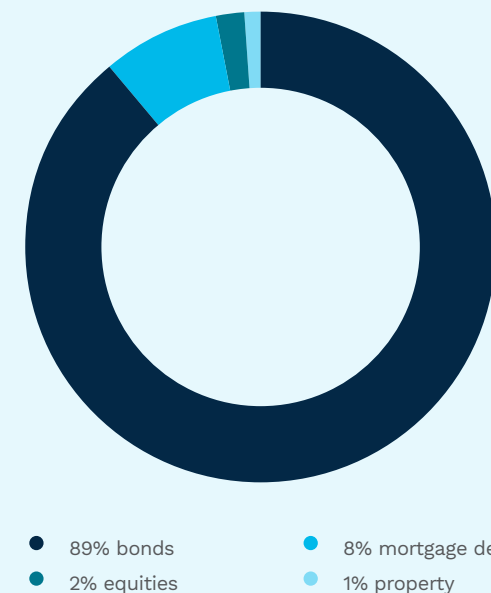
Rules governing acceptance and writing of new business at customer and product level reduce premium risks. Written risks are assessed for the possibility that several policies can be affected by the same loss event (accumulation). Moreover, each customer adviser has been given instructions as to what risks can be accepted. In addition, premium risks are reduced through the use of reinsurance and by frequently monitoring trends in tariff parameters.

The most important reasons for claims provision risks are model and calculation

uncertainties as to claims provisions and claims inflation. The amount of run-off gains and losses is evaluated in the annual actuarial report relative to the expectations from the company's partial internal model. This control contributes to providing a true and fair view of the risk of run-off losses.

Catastrophe risks are covered through reinsurance. The purpose of the reinsurance

Investment assets Non-life Insurance



programme is to ensure that a single loss event or a random accumulation of large losses does not lead to an unacceptable loss of capital and, moreover, the purpose is to reduce fluctuations in technical results.

The greatest single risks in Alm. Brand Forsikring are natural disasters, for which the company's risk is assessed using the partial internal model and a number of scenarios based on portfolio exposure and on a calculated probability. Both components show that the current reinsurance programme will provide cover at least for losses resulting from a 1:200-year storm.

For 2019, Alm. Brand Forsikring purchased catastrophe reinsurance cover for up to DKK 4.3 billion with retention of DKK 75 million. Reinsurance supplemented by facultative coverage covers fire claims with retention of DKK 30 million, while personal injury on accident and workers' compensation claims are covered with retention of DKK 20 million. In addition, frequency cover has been taken out against major fire events and against extraordinarily many windstorm and precipitation events (cloudbursts, snow load etc.).

From 1 July 2019, the risk of a terrorist attack is covered under a state terrorism insurance scheme, comprising claims related to attacks involving nuclear, biological or chemical agents. Alm. Brand therefore no

longer covers these risks, but still covers claims related to conventional terrorist attacks, which are also covered under the company's catastrophe reinsurance programme.

Health insurance risks

Health insurance risk arises as a result of the insurance group's writing of workers' compensation and personal accident insurance. These policies all give rise to both premium, claims provision and catastrophe risks, as described in the section on non-life insurance risks.

Particularly workers' compensation insurance is affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Such factors have a tendency to drive up the number of insurance-covered claims and average claims expenses. These external risk factors arise due to trends in society and are difficult to predict, thereby making it difficult to price health insurance risks correctly.

Because workers' compensation insurance is of a longer-tail nature and because the legislative framework is more complicated, the potential impact of risk factors on the results of workers' compensation lines is greater than in personal accident lines.

Market risks

The management of market risk is intended to ensure achievement of an optimum return without putting the total capital of Alm. Brand Forsikring at risk of significant deterioration due to financial market developments or financial difficulties of individual issuers.

The asset allocation of Alm. Brand Forsikring at 31 December 2019 reflects its focus on stable returns and low investment risk. The investment assets of Alm. Brand Forsikring are predominantly placed in interest-bearing assets, most of which are Danish mortgage bonds with a high credit rating. The average duration is between two and three years.

The interest rate risk on assets and liabilities is monitored on an ongoing basis. Interest rate swaps are used to adjust the interest rate risk on the assets. Throughout 2019, the risk profile was more or less neutral relative to interest rate changes. In the event of a 1 percentage point interest rate increase, Alm. Brand Forsikring's equity and results at 31 December 2019 would be adversely affected by DKK 83.6 million.

In late 2014, Alm. Brand Forsikring acquired most of Alm. Brand Bank's portfolio of mortgage deeds. The transaction contained an option agreement to protect Alm. Brand Forsikring against future credit losses.

This means that Alm. Brand Forsikring can deliver back mortgage deeds to the bank if the mortgage deed debtors default on their payment obligations. The bank thus retains the credit risk, whereas Alm. Brand Forsikring only assumes the market risk associated with investing in the mortgage deeds.

About 2% of the total portfolio of investment assets is placed in equities, and less than 1% of the assets are placed in unlisted equities, primarily in the form of strategic sector equities. Sector equities are held for the purpose of supporting the insurance activities. In the event of a 15% decline in equity prices, Alm. Brand Forsikring's equity and results at 31 December 2019 would be adversely affected by DKK 32.6 million.

The currency risk of Alm. Brand Forsikring is related to a limited exposure to bonds denominated in foreign currency and to positive market values of derivative fixed-income instruments denominated in foreign currency.

Through its holding of Danish mortgage bonds, Alm. Brand Forsikring is exposed to rising mortgage bond yields.

Counterparty risks

Counterparty risk arises when a counterparty in a financial agreement fails to meet its obligations. Counterparty risk is broken

down into two types in the solvency calculation. Type 1 counterparty risk covers exposure to large financial enterprises, for instance due to reinsurance agreements or financial contracts. Type 2 counterparty risk covers the risk that insurance customers or insurance brokers fail to pay what they owe to Alm. Brand Forsikring.

Type 1 counterparty risk related to reinsurance arises for example if Alm. Brand Forsikring's reinsurers go into insolvent liquidation, resulting in a full or partial loss of receivables and in new coverage of the business having to be purchased. In order to minimise the risk related to each reinsurer, reinsurers must be rated at least A- with Standard & Poor's or A.M. Best. Deviations from this rating must be approved by the Board of Directors.

Financial counterparties are most often credit institutions in which case the receivable arises in a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account, which creates a type 1 counterparty risk. Placement limits contain restrictions as to the companies' maximum receivable from specific credit institutions.

Alm. Brand Forsikring limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with the counterparties. Margin

agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

In addition, Alm. Brand Forsikring has type 1 counterparty risk on Alm. Brand Bank. This is due to Alm. Brand Forsikring's option to sell back delinquent mortgage deeds to Alm. Brand Bank. The capital strength of Alm. Brand Bank is monitored on an ongoing basis to ensure that Alm. Brand Bank can honour any claims from Alm. Brand Forsikring arising due to delinquent mortgage deeds.

Receivables from policyholders in Alm. Brand Forsikring arise on an ongoing basis and an allowance is made in that respect in the solvency requirement as type 2 counterparty risk.

Other risks

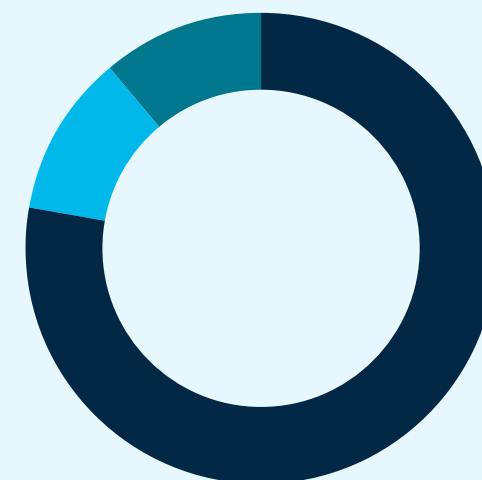
Liquidity risk is very limited because premiums in the company are pre-paid. Non-life Insurance is under the greatest liquidity

pressure after a weather-related event, but may procure liquidity within a short period by selling assets.

ALM. BRAND LIV OG PENSION A/S Life insurance risks

Biometric risks consist of mortality, longevity, disability, catastrophe risk, costs and option risk (risk related to the scope of surrender and re-writing to paid-up policies). Disability and mortality risks are limited by guidelines for how large a risk the company may accept. Alm. Brand Liv og Pension A/S generally does not write covers without personal health information being provided, although there are a few exceptions to this general rule. Effective 1 November 2019, Alm. Brand signed up to the insurance industry's common principles on acceptance and continuation in the event of a change of provider of corporate pension schemes (the change-of-provider agreement) as part of the company's growth strategy. Receipt of schemes under the change-of-provider agreement is based on more lenient health information in the form of an employer's statement. Alm. Brand Liv og Pension also has a single product of a limited scope in which corporate pension schemes are offered against provision of limited personal health information. Moreover, risks are limited through a reinsurance programme which mitigates the effects of losses incurred on large customers. The reinsurance programme also comprises catastrophe

Investment assets, policyholders' funds Life Insurance



- 78% bonds
- 11% equities
- 11% property

cover in the event of several customers being hit by the same event.

To cover any future fluctuations in biometric risks, a risk margin is added to market value provisions. The risk margin has been

determined on the basis of the value of the cost of capital charge for future solvency capital requirements (the so-called cost of capital approach of Solvency II). The market value parameters for use in the calculation of market value provisions are assessed at least once a year.

Alm. Brand Liv og Pension's breakdown into contribution groups means that generally there is no collective bonus potential in the contribution groups for mortality, longevity and disability, respectively. This generally implies that losses incurred in these groups will be paid through equity. However, the overall buffers may be applied through the use of negative bonus, thereby limiting the risk to the reaction rate of bonus rate adjustments.

Alm. Brand Liv og Pension has a relatively small exposure to longevity, as the portfolio is predominantly composed of capital, retirement and instalment pension schemes. Alm. Brand uses the Danish Financial Supervisory Authority's benchmark for longevity assumptions for the calculation of provisions – and the Solvency II standard formula for the assessment of longevity risk.

Health insurance risks

New health and personal accident business in Alm. Brand Liv og Pension is written outside the framework of guaranteed interest, ensuring that the customers receive a

sharper but also more flexible insurance price. These policies give rise to both premium, claims provision and catastrophe risks but are also affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Premium risk is limited to one year due to the possibility of a quick change of price

Market risks

For 2019, Alm. Brand Liv og Pension's insurance portfolio is divided into four interest rate contribution groups characterised by the different guarantee levels on which the insurances are based. The investment strategies of the individual interest rate contribution groups are carefully designed to match the investment buffers of each individual group. This means that the highest interest rate contribution group has a relatively small share of higher-risk assets relative to provisions.

The current level of interest rates still makes it difficult to achieve an investment return that matches the high guarantee levels. However, the high guarantee levels will be reduced significantly over time. Alm. Brand Liv og Pension has introduced the principle that the full amount of any surplus on the policies' interest rate, risk or expense results must be used to lower the future

required rate of return on the insurances. This gradually reduces the guarantees for the interest rate groups and has the effect that, over time, they will be moved to interest rate groups with lower guarantees.

As a result of the low interest rate level, Alm. Brand Liv og Pension has introduced a new contribution group effective from 1 January 2020, acting as the group for new business. The contribution group has a technical rate of interest of 0.01%, which is 0.5% lower than the former group in which new business is written. As a result of the above-mentioned principle, the insureds will be moved down to this interest rate group over time.

No new business is written in the three highest contribution groups, which mainly consist of insurances under disbursement or close to retirement, and the portfolio is thus gradually reduced. At 31 December 2019, the closed portfolios accounted for approximately 25% of total provisions in the contribution portfolio.

At least once a month and otherwise as needed, Alm. Brand Liv og Pension calculates the solvency capital requirement and the expected profit for the year. In addition, sensitivity analyses are carried out according to a selection of economic scenarios (e.g. combinations of a rise or fall in interest rates, decline in equities and a widening of

the credit spread (OAS)).

In the event of a 1 percentage point interest rate increase, Alm. Brand Liv og Pension's equity and results at 31 December 2019 would be adversely affected by DKK 21.2 million. The company's equity and results are not exposed to changes in equity or property values unless in the event of very severe fluctuations.

The asset allocation of Alm. Brand Liv og Pension is diversified across a number of asset classes. The risk tolerance is calculated relative to the total assets and allocated to each portfolio according to size. The risk tolerance can thus be measured regardless of the guarantees issued in each interest rate contribution group. This has the consequence that groups with large investment buffers will have more higher-risk assets than groups with low investment buffers, as the overall risk exposure for shareholders' equity must be identical.

Derivatives are used to adjust the interest rate risk of the individual contribution groups in order to achieve the desired risk profile between assets and liabilities for each interest rate contribution group. The greatest interest risk arises in the event of a sudden and severe interest rate fall, giving the company no time to adjust its hedging activities. The duration of provisions increases with the decline in interest rates.

Equity exposure is only accepted on investment equities for policyholders' funds, and the exposure is accepted on the basis of a global investment universe. In addition, Alm. Brand Liv og Pension holds a limited number of unlisted equities, primarily in the form of strategic sector equities. These equities are held for the purpose of supporting the business activities.

Property exposure is accepted only for policyholders' funds. Most of the property investments are owner-occupied properties. In 2018, the Board of Directors approved investments in European property funds. About half of the approved amount was invested in 2019, and the rest is expected to be invested in 2020. This will increase diversification for property investments as well as for the overall asset portfolio. The risk profile defined for the purchasing and selling of property, including funds, is focused on a high degree of security and stable returns on a long-term horizon.

Alm. Brand Liv og Pension pursues a proactive currency strategy, which means that foreign equity and bond positions are not currency hedged unless deemed expedient.

Counterparty risks

Counterparty risk often arises due to a receivable in connection with a bilateral derivative agreement or, for instance, by

depositing cash funds in a bank account with a credit institution. Placement limits contain restrictions as to how large an exposure a company may have with specific credit institutions.

Alm. Brand Liv og Pension limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with its counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

Other risks

The liquidity risk is very limited. The greatest liquidity risk is the risk of a large number of customers wanting to move their pension savings at the same time. Should this materialise, the company may procure liquidity within a short period by selling assets and may furthermore mitigate the risk to a certain extent by introducing a transfer and surrender charge.

ALM. BRAND BANK A/S

Credit risks

Credit risk is the risk of incurring a financial loss due to default on counterparties' payment obligations. Credit risk includes losses/impairment writedowns on loans, guarantees, derivatives, etc., concentration risk on customer types, exposure types, collateral types, etc., a general change in credit quality due to changes in legislation, economic conditions, market practices and conditions, etc.

The bank wishes to have a cautious risk profile. This means that the bank aims to always have optimum credit risk management in order to ensure a stable platform for the bank.

The bank's future lending strategy is directed at private customers resident in Denmark and small and medium-sized businesses with simple financial needs. As a result, Alm. Brand Bank mainly grants loans to private customers, small and medium-sized businesses, investment credit facilities in Financial Markets and leasing in the subsidiary Alm. Brand Leasing. The bank still holds mortgage deeds and credit exposures with commercial and agricultural customers as counterparties, which will be phased out in the years ahead. The mortgage deed portfolio was strongly reduced in connection with the sale of most of the mortgage deeds to Alm. Brand Forsikring A/S in December 2014. The related option agreement means that the bank retains the credit risk attaching to

the original mortgage deed portfolio. The bank does not wish to have any significant exposure to international activities.

Once a year, the bank's Board of Directors reviews and approves the credit policy and the associated guidelines describing the rules governing the bank's loan granting, provision of guarantees and other credit risks. The guidelines contain specific limits for the individual products offered by the bank and the customer segments buying the bank's credit products. In addition, the Board of Directors grants the largest exposures.

The bank has a policy of not establishing new exposures exceeding 10% of the bank's adjusted total capital. Based on the calculation of the supervisory diamond indicator for the sum of large exposures, the bank does not wish to have a sum of large exposures which exceeds 120% of its total capital. Excepted from this are exposures to the bank's subsidiary Alm. Brand Leasing and the other companies of the Alm. Brand Group.

All customers must be credit rated before being granted credit. The bank's credit rating of private customers seeking loans is based on a review of the customers' overall financial situation, including disposable amount, assets and level of debt. Secondly, the bank uses credit scoring models

which have been developed over a number of years. The models are still being developed and improved on the basis of recent experience and changes in market conditions. The bank generally requires collateral from the customer in the form of mortgaging of the customer's assets.

Alm. Brand Bank's identification of risk concentrations in the credit portfolio serves as a credit risk management parameter. The risk concentration may be based on the volume of credit exposures, single assets or type of exposure.

Alm. Brand Bank uses an authorisation control system for private customers. In combination with the bank's credit application and approval system, this system ensures that the approvals made by individual managers and employees are consistent with their lines. The system also supports regular collection of financial information on individual customers. This information is included in the overall decision-making basis for credit segmentation of the customer.

In the winding-up portfolio, loans are granted only for credit-defence purposes when this is deemed to minimise the bank's risk of loss.

The bank strives to build and develop long-term relationships with its customers. The

customer relationship must be profitable for the customer as well as for the bank. Any exposure must be priced based on the risk assumed by the bank. The pricing takes into account credit, interest rate, currency and liquidity risk.

As part of the control environment, an independent credit control function has been charged with the task of making spot checks to identify any potential process shortcomings.

The Board of Directors has adopted principles for reporting in the credit area. The Board of Directors receives reports in the credit area at least once every three months.

Market risks

Market risk is the risk of fluctuations in the fair value of financial instruments as a result of changes in market prices. Alm. Brand Bank's market risks include interest rate risk, currency risk, equity risk and other price risks. The Board of Directors aims for the market risks assumed by the bank from time to time to be calculated and to reflect the bank's business strategy, risk profile and capital resources.

The bank regularly takes positions in the financial markets for the account of customers as well as for its own account. Active

risk management is applied across the bank in order to balance out financial risks on assets and liabilities with the aim of achieving a satisfactory return that matches the bank's risk tolerance and applied capital. In its risk management, the bank uses derivative financial instruments to adjust the market risk.

At least once annually, the Board of Directors determines the acceptable risk level of each individual market risk in the market risk policy. Specific limits for the bank's market risk are provided in the guidelines for the Management Board in the market risk area.

The banking group's daily currency risk is calculated and managed on the basis of the greater of the sum of receivables and the sum of payables denominated in foreign currency translated into Danish kroner.

The bank's equity positions in the trading book consists of listed Nordic equities and unit trust certificates held with a view to supporting the bank's markets and asset management functions. The bank's portfolio of equities outside the trading book comprises equities taken over for credit-defence purposes. The portfolio also comprises sector equities intended to support the bank's operations.

The bank does not want to hold properties but has in recent years taken over single-family houses and rental property for credit-defence purposes. The exposure to properties is assessed to be limited relative to the bank's total assets.

The risk management function monitors the bank's market risks on a daily basis and reports to the Management Board and the Board of Directors on an ongoing basis. Any positions exceeding the Management Board's limits and powers are reported to the Board of Directors.

Liquidity

The banking group aims to ensure that liquidity is at all times sufficient to support its future operations and comply with the statutory requirements, including the indicators of the Danish Financial Supervisory Authority's supervisory diamond. The liquidity management is determined on the basis of a conservative risk profile.

Compliance with the bank's liquidity target is ensured through the internally defined limits for the composition of funding, including funding sources and their repayment structure as well as requirements for the size of the bank's liquidity reserve. The bank manages and monitors its liquidity on a day-to-day basis based on short-term and long-term liquidity requirements. The bank's

Treasury department is responsible for the regular reporting on the bank's liquidity position.

At 31 December 2019, Alm. Brand Bank's LCR was 386.

The short-term liquidity management is intended to ensure that Alm. Brand Bank is at all times able to pay liabilities as they fall due and comply with the statutory requirements. This is ensured by means of fixed targets for the liquidity reserve and stress tests. Specifically, this is achieved by neutralising imminent liquidity effects, and liquidity is maintained within the limits defined by the Board of Directors, and by securing financial resources in the form of highly liquid securities, undrawn money market lines with major market players and a set-up for repo transactions.

The long-term liquidity management is intended to ensure that Alm. Brand Bank does not find itself in a situation where the cost of funding the bank's operations becomes disproportionately high. This is achieved by stress testing and focusing on the strategic funding structure. The bank wishes to have a stable funding structure with deposits being the primary funding source.

OTHER RISKS FACING THE GROUP

Operational risk arises as a result of inexperienced or faulty internal procedures, human or system errors or as a result of external events, including legal risks. The group has a number of control procedures in the form of work routines, business procedures and reconciliation processes, performed locally and centrally throughout the organisation. The scope of control measures is assessed against the expenses they involve. Security measures are assessed relative to potential threats and their assessed probability of occurrence as well as the potential business consequences, should such threats materialise.

The group has completed a group-wide project to implement the General Data Protection Regulation (GDPR) with a particular focus on increasing employee and management awareness of the new requirements in order to support future compliance. Moreover, the group has initiated a number of common procedures to accommodate requests for access to and deletion of data etc. and to handle and report personal data breaches to the Danish Data Protection Agency. The group has also appointed a common data protection adviser, providing advice to the group and overseeing GDPR compliance.

Reputational risks are costs associated with having a poor public reputation, which affects the group's ability to maintain and develop its business volume. A reputation arises through media coverage of the group or incidents in relation to such coverage, for instance in news media and on social media. The group has drawn up media contingency plans to handle any incidents that could lead to unfavourable media coverage.

The group is continually making proactive efforts to reduce the number of potential events that could give rise to poor reputation. Moreover, the group is focused on reducing the number of complaints involving Alm. Brand Forsikring filed with the Insurance Complaints Board, and even though the insurance company has a track record of winning most of the complaints filed, every complaint is one too many because it means that the group has a dissatisfied customer. Alm. Brand Forsikring has a customer ambassador who reviews the complaints. The customer ambassador looks at a complaint from a customer point of view and is responsible for ensuring that the customers' views are heard. This is done to promote a good dialogue between Alm. Brand Forsikring and its customers. Often a disagreement arises because the customer has not been adequately informed about why his or her claim is not covered. The complaints are subsequently analysed,

enabling the group to develop its insurance products and to become better at explaining its current insurance terms.

Strategic risks arise due to inexpedient business decisions, insufficient implementation of business initiatives or slow response to the challenges facing the group.

Strategic risks cannot be avoided but they can be limited by maintaining high professional standards, openness and willingness to change in the organisation. Alm. Brand's strategy has been prepared by the group management on the basis of a structured process and in cooperation with each group subsidiary's Board of Directors, Management Board and managerial groups.

Regulatory risks play an increasingly large role for the general public as well as for Alm. Brand, and non-compliance is becoming an increasingly important factor – also for customers. For instance, this applies to the EU rules under CRD4/Solvency II, MIFID, anti-money laundering directives, the General Data Protection Regulation (GDPR) and Danish delegated legislation. The regulatory and strategic risks are monitored and assessed on an ongoing basis, but they are typically not directly measurable.

The group's risk profile and risk management are described in detail at almbrand.dk/risiko.

NOTE 46 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

The preparation of the financial statements involves the use of accounting estimates. Such estimates are made by the company's management in accordance with the accounting policies and on the basis of historical experience and assumptions, which management considers prudent and realistic but which are inherently uncertain and unpredictable.

The most significant estimates are related to the calculation of fair values of unlisted financial instruments and loans, advances and receivables and provision for losses on guarantees. In addition, significant estimates are applied in the valuation of mortgage deeds, liabilities under insurance contracts and the intangible asset related to customer relationships in Alm. Brand Bank.

This note should be read in conjunction with note 38, which contains information about the determination of fair value.

Financial instruments

Significant estimates are not used for the valuation of financial instruments where the valuation is based on prices quoted in an active market or on generally accepted valuation models employing observable market data.

Valuations of financial instruments that are only to a limited extent based on observable market data are subject to estimates.

This applies for example to unlisted shares and certain bonds for which an active market does not exist. For securities that are not listed on a stock exchange, or for which no price is quoted that reflects the fair value of the instrument, the fair value is determined using a model calculation.

The valuation models include the discounting of the instrument cash flow using an appropriate market rate.

The valuation of unlisted shares is based on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties.

Valuation of mortgage deed portfolios

The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

Non-delinquent mortgage deeds are measured on the basis of the number of assumptions relating to required rate of return, expected credit losses and repayments – assumptions basically concerning what a mortgage deed could trade for

between two independent parties. The model will revalue the mortgage deed if the mortgage deed coupon is higher than the discount rate. Such revaluation is sensitive to the model assumptions.

The repayment rates are updated on an ongoing basis to reflect the development in realised repayments.

Delinquent mortgage deeds are valued with due consideration for the risk of default and the loss incurred in the event of default. Any unsecured part is written down, and the amount depends, among other things, on how long the mortgage deed has been delinquent. However, the unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days. The unsecured part is calculated on the basis of the underlying property value. Either an external individual valuation or an internal valuation based on retrieved reference value of similar properties is used to measure the specific property value.

NON-LIFE INSURANCE

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions on a number of variables. The liabilities are furthermore affected by the discount rate.

The provisions for workers' compensation insurance are affected by several acts. The Danish Social Pensions Act was amended in December 2015, whereby the state retirement age was raised from 67 to 68 years for people born on or after 1 January 1963. The Act also imposes a duty on the Minister for Social Affairs in 2020 to reassess whether the retirement age should be raised further. In addition, the Danish government's so-called "2025 plan" contains proposals which, if the plan is implemented, will move forward further increases in the retirement age.

An expert committee has been set up, which has made proposals in connection with a revision of the Danish Act on Industrial Injuries. The most recent legislative amendment at 1 January 2020 is assessed to be the first step of this revision, but the process of revising the legislation is still ongoing with the involvement of e.g. the Danish Insurance Association (Forsikring & Pension). It is still uncertain which recommendations will be implemented in legislation – including how the senior pension proposed by the Danish government will affect the claims level – and the amount of claims expenses arising as a result of a potential revision of the act is therefore subject to uncertainty.

Alm. Brand Forsikring reserves capital with due regard to all known and unknown factors which may impact the level of claims.

Alpha Insurance

The insurance company Alpha Insurance was declared bankrupt on 8 May 2018. The obligations vis-à-vis persons injured in connection with an industrial accident have been transferred to Arbejdsmarkedets Erhvervssikring (AES). Under workers' compensation legislation and as a result of the company's workers' compensation insurance portfolio, Alm. Brand Forsikring has an obligation to cover a market share-based proportion of the workers' compensation insurance claims which the AES is unable to recover from the estate in bankruptcy.

Alm. Brand has made a reserve based on an estimate of the company's share of the total expenses after dividend from the estate in bankruptcy. The ultimate net expense is affected by a number of factors, which remain subject to great uncertainty. This applies, among other things, to the adequacy of Alpha's gross provisions for workers' compensation claims and the value of the assets on realisation. A significant part of the assets are receivables from Alpha's re-insurers, and the uncertainty in this respect concerns the value of the receivables and the distribution by the estate in bankruptcy of the receivables when realised. Moreover,

there is uncertainty with respect to the total expenses for claims handling and for the winding up of the estate as well as to Alm. Brand's market share-based proportion of the expenses.

LIFE INSURANCE

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions about a number of variables. The liabilities are furthermore affected by the discount rate.

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative financial instruments to ensure that interest rate exposures on assets and liabilities are more or less aligned. Changes in the value of investment assets resulting from changes in interest rates are therefore partly offset by corresponding changes in the value of the technical provisions and the individual and collective bonus potentials. If, over time, the return generated is lower than the discount rate applied, the bonus potentials will be affected initially, and shareholders' equity may be affected subsequently.

Properties

In connection with the valuation of properties, a fair value is calculated on the basis of market-based rental income and

operating expenses relative to the required rate of return of the individual properties. The valuation takes into account the type, location, state of repair, vacancy rate, etc. of the property.

BANKING

Loans, advances and other receivables at amortised cost

Impairment of financial assets and provisions for undrawn credit lines, loan commitments and guarantees are made in accordance with the accounting policies and on the basis of a number of assumptions. Changes in these assumptions may affect the financial reporting, and any such effect may be significant.

In respect of individual impairment of loans, significant estimates have been applied in quantifying the risk that not all future payments will be received, based on the most likely scenario. If it can be determined that not all future payments will be received, the determination of the amount of the expected payments, including realisation values of any collateral and expected dividend payments from estates, involves significant estimates.

Adverse and unforeseen economic developments may affect the payment ability of individual customers. For instance, major interest rate changes, failure to let prem-

ises and changes in settlement prices for agricultural products may affect the customers' ability to pay and the value of the collateral security on which the calculation of the bank's collateral security is based. In particular, lending for activities within financing of real property and agriculture may be adversely affected.

In addition, changes are regularly made to the rules that form the basis of the calculation of the bank's impairment writedown and provisioning requirements. Changes that are subsequently introduced may trigger higher impairment writedowns and provisions, regardless of the fact that no events would seem to have occurred in relation to the customers' ability to pay or collateral that would warrant such higher impairment writedowns.

Alm. Brand Bank performs collective model calculations of impairment writedowns for customers for whom objective evidence of impairment (OEI) has not been identified. These calculations are based on a model setup developed and maintained in cooperation with Bankdata. The model is based on a classification of the customers into different rating categories and an assessment of the OEI risk attaching to the individual rating categories. The determination of the likelihood of OEI and LGD (loss given default), which are significant parameters

NOTE 46 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES – CONTINUED

in the model calculation, is subject to a certain amount of uncertainty and estimation. The calculation is supplemented by a forward-looking macroeconomic module developed and maintained by LOPI, the Association of Local Banks in Denmark. Adjustment of the way in which the model includes forward-looking information is also an expression of a model-based risk which may have an impact on the bank's total impairment writedowns. In some cases, it is necessary to supplement the modelled impairment writedowns with a management estimate. This will be done if it is assessed that the model does not adequately take into account events which are deemed to potentially impact the impairment level. The estimates applied are adjusted and reviewed on an ongoing basis.

Intangible assets

Intangible asset, customer relationships
Customer relationships have been measured on the basis of expected engagements

with the customer relationships existing at the time of acquisition. Customer relationships have been measured on the basis of expected engagements with the customer relationships existing at the time of acquisition. Effects of expected cross-sales of insurance and pension products and any additional sales of banking products have not been included in the valuation.

Customer relationships are amortised on a straight-line basis over a period of seven years, starting from 1 April 2018.

SENSITIVITY INFORMATION

We take various types of calculated risk in support of the long-term business objectives. The most important business risks and financial risks are listed in the table below.

The individual risks are described in note 45 Capital and risk management on pages 127 to 134.

Sensitivity information

DKKkm	Non-life Insurance	Banking*	Life Insurance*	Other	Total	% of shareholders' equity
Sensitivity information, group						
Risk on shareholders' equity in case of specific events						
Interest rate increase of 1 percentage point	-89	-68	-21	3	-175	-3.8
Interest rate fall of 1 percentage point	17	53	12	-3	79	1.7
Equity price fall of 15%	-33	-43	0	0	-76	-1.7
Fall in property prices of 15%	-18	0	0	0	-18	-0.4
Currency risk excl. EUR, 25% decline	0	-5	0	0	-5	-0.1
Spread widening of 1 percentage point	-160	-120	-25	0	-305	-6.7
Catastrophe events:						
- one "100-year event"	-95	-	-	-	-95	-2.1
- two "100-year events"	-224	-	-	-	-224	-4.9

* Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes.

The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to Life Insurance do not include risks related to securities owned by the policyholders.

GENERAL

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on Financial Reporting for insurance companies and multi-employer occupational pension funds. In addition, the consolidated financial statements have been presented in accordance with additional Danish disclosure requirements for listed financial enterprises.

Additional Danish disclosure requirements for annual financial statements are for the group set out in the Danish Statutory Order on Adoption of IFRS for financial enterprises issued pursuant to the Danish Financial Business Act and by NASDAQ Copenhagen A/S. For the parent company, the disclosure requirements are defined in the Danish Financial Business Act and by NASDAQ Copenhagen A/S.

The annual financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the group's activities and the functional currency of the parent company.

The accounting policies applied in the consolidated financial statements are described in the following. The accounting policies of the parent company are described as part of the parent company's financial statements.

Profit margin of Alm. Brand Liv og Pension

The sector has been in discussions with the Danish Financial Supervisory Authority about the accounting concept "profit margin". The outcome is an understanding that the Danish Financial Supervisory Authority requires a theoretically more sophisticated methodology for calculating the profit margin. As a result, Alm. Brand has initiated a process to ensure that the company adapts to these requirements well in advance of the implementation of the Danish Financial Supervisory Authority's new approach. The new calculation principles are not expected to change the company's capital robustness.

Change in accounting policies

IFRS 16 Leases was implemented with effect from 01 January 2019. The standard entails that leases are recognised in the balance sheet as an asset and a liability, respectively. In the Alm. Brand A/S Group, only a few external tenancy agreements will be comprised by the standard. On implementation, an amount of DKK 196 million was capitalised in "Other assets" and rec-

ognised as a liability of DKK 196 million in "Other liabilities". Overall, the results for the year are largely unaffected by the implementation.

In addition, a number of amendments and interpretations have been issued to the International Financial Reporting Standards that entered into force on 1 January 2019. However, none of these have had any significant effect on the accounting policies of the group.

STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the date of publication of these financial statements, a number of new or amended standards have not yet entered into force and/or been adopted for use in the EU and are therefore not included in these financial statements. Alm. Brand does not expect to implement the new accounting standards and interpretations until they become mandatory. Except for the ones set out below, none of the new standards or interpretations are expected to have a significant impact on the financial reporting of the group.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17, Insurance contracts. IFRS 17 replaces IFRS 4, Insurance contracts. The new IFRS standard will have a significant impact on the

measurement, presentation and information concerning insurance contracts. The commencement date is currently 1 January 2022, but a proposal has been tabled for postponement until 1 January 2023. The effects of the new standard will be analysed and assessed over the coming years.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company and subsidiaries in which the parent company holds the majority of the voting rights or otherwise holds a controlling interest. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

The consolidated financial statements have been prepared by consolidating items of a uniform nature in the income statements and balance sheets of each company. Intercompany income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

Properties owned by subsidiaries and used by the group are reclassified from investment property to owner-occupied property.

The financial statements of subsidiary undertakings that present annual reports under other jurisdictions have been restated to the accounting policies applied by the group.

In the preparation of the consolidated financial statements, accounting items of subsidiaries are fully recognised, regardless of the percentage of ownership. The proportionate shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as separate items in the income statement and the balance sheet.

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

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

General recognition and measurement policies

Assets are recognised in the balance sheet when, due to a previous event, it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured. Liabilities are recog-

nised in the balance sheet when, due to a previous event, it is probable that future economic benefits will flow from the group and the value of the liability can be reliably measured.

Otherwise, assets and liabilities are recognised and measured as described for each individual item below.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to the financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described in the accounting policies.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report and which confirm or invalidate conditions existing at the balance sheet date.

Financial instruments are measured at fair value on initial recognition at the settlement date. Changes to the value of the asset acquired or sold during the period from the transaction date to the settlement date are included as derivative financial instruments. If the acquired item is measured at cost or amortised cost after initial recognition, any value changes during the period from the transaction date to the settlement date are not recognised.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the term to maturity.

Financial assets and liabilities are classified on the basis of the business model and the contractual cash flows related to the financial assets and liabilities.

Financial assets are measured subsequent to initial recognition at amortised cost if they are held in order to collect the contractual cash flows and if the contractual cash flows are solely payments of interest and principal on the principal amount outstanding.

Financial assets are generally measured according to the time of initial recognition at fair value through other comprehensive income if the financial assets are held in a mixed business model in which some financial assets are held to collect the contractual cash flows and other financial assets are sold and if the contractual cash flows are solely payments of interest and principal on the principal amount outstanding.

ing. However, the relevant financial assets form part of a risk management system and an investment strategy based on fair values and on that basis form part of Alm. Brand's internal management reporting. Against this background, Alm. Brand assesses that the financial assets do not satisfy the criteria of a business model relating to the measurement categories amortised cost and fair value through other comprehensive income. The relevant financial assets are instead measured at fair value through profit or loss.

If financial assets do not satisfy the above-mentioned business model criteria or if the contractual cash flows are not solely payments of interest and principal on the principal amount outstanding, the financial assets will subsequent to initial recognition be measured at fair value through profit or loss.

Below is a description of the accounting policies applied to financial assets and liabilities as well as other items.

Foreign currency

Assets and liabilities denominated in foreign currency are recognised at the rates of exchange prevailing at the balance sheet date. Income and expenses denominated in foreign currency are recognised at the rates of exchange ruling at the transaction date.

Exchange gains and losses are recognised in the income statement.

Tax

All companies in the group are jointly taxed.

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

Current tax assets and liabilities are recognised in the balance sheet at the amount that can be calculated on the basis of the expected taxable income for the year adjusted for prior years' tax losses carried forward.

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

Deferred tax is measured on the basis of the tax regulations and tax rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax.

Deferred tax assets, including the tax base of tax losses carried forward, are measured

at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

INCOME STATEMENT

Premium income

Gross premiums comprise premiums due relating to insurance and contracts.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions, profit margin and the part of the risk margin attributable to unearned premium provisions, and less reinsurers' share. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to the bond maturity effect is transferred to interest expenses, etc. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to a change in the discount rate applied after inflation is transferred to market value adjustments.

Premiums relating to life insurance comprise premiums due during the year and single premiums less labour market contribution.

Interest income, etc.

Interest income and dividends, etc. includes dividends received and interest earned during the financial year.

The item also includes interest-like fees and commissions that are an integral part of the effective rate of interest on financial assets measured at amortised cost. Finally, the item recognises the part of the change in unearned premium provisions and outstanding claims provisions that can be ascribed to discounting.

Fee income, etc.

Fees, etc. are accrued over the lifetime of the transactions and recognised in the income statement at the amounts relating to the accounting period.

Other income from investment activities

The item includes the operating profit on investment property after deduction of related administrative expenses.

Other income

Other income primarily comprises lease income from assets held under operating leases. In addition, goodwill in connection with the acquisition of the activities of Saxo Privatbank A/S was recognised in 2018. Moreover, this item includes income derived from activities that cannot be attributed to the group's principal activities.

Claims expenses

Claims expenses include claims paid during the insurance year adjusted for movements in claims provisions corresponding to known and anticipated claims relating to the year. Also included is any change in the part of the risk margin attributable to claims provisions.

Amounts to cover expenses for surveying and assessment and other direct or indirect staff administration costs, etc. associated with claims handling are included in the item. In addition, the item includes run-off results regarding previous years.

The group's indirect costs relating to the handling of claims are distributed between claims expenses and administrative expenses using allocation keys based on estimated resource application.

The part of the change in outstanding claims provisions and risk margin which can be attributed to discounting is transferred to interest expenses, etc. The part of the change in outstanding claims provisions and risk margin which can be attributed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Alm. Brand Forsikring A/S has entered into swap agreements to partially hedge provisions for workers' compensation against changes in the future wage index, assuming continued stable growth in the real value of claims paid. The value adjustment of these swaps is included in claims incurred.

Claims and benefits relating to life insurance comprise benefits due during the year, amounts paid for repurchases and bonus amounts paid in cash.

Other expenses from investment activities

The item includes amounts associated with the management of investment assets. Brokerage and commission relating to the purchase and sale of securities is recognised under market value adjustments.

Impairment of loans, advances and receivables, etc.

Impairment of loans, advances and receivables, etc. comprises impairment of items that involve a credit risk and provisions for guarantees. See also under accounting policies for balance sheet items.

Acquisition costs and administrative expenses

The part of the insurance operation expenses that can be ascribed to acquisition

and renewal of the insurance portfolio is recognised under acquisition costs. Acquisition costs are generally charged to the income statement when the insurance takes effect.

Administrative expenses comprise expenses related to managing the company's activities. Administrative expenses are accrued to match the financial year.

Operating expenses relating to owner-occupied properties are recognised in the consolidated income statement under administrative expenses. Rent concerning the company's owner-occupied properties is not recognised in the consolidated income statement, but the expense is included in the individual segment financial statements.

Other expenses

Expenses associated with activities that cannot be ascribed to the company's principal activities are recognised under other expenses.

Result of ceded business

For reinsurance contracts containing a combination of financial terms and traditional terms with transfer of risk, the risk premium is recognised on an accruals basis under premium income. The accrual is based on the value of the contracts at

the end of the year. Realised losses relating to these contracts are included in claims after adjustment for movements in financial deposits.

Reinsurance premiums ceded and reinsurers' share received are accrued and recognised in the income statement according to the same principles as those applied for the corresponding items under the gross business.

Changes in ceded business attributable to discounting are transferred to interest expenses, etc., while changes attributable to changes in the discount rate applied are transferred to value adjustments.

Value adjustments

Value adjustments include all realised and unrealised gains and losses on investment assets, except for value adjustment of subsidiary and associated undertakings and revaluations of owner-occupied properties. The item also includes the discounting effect of insurance contracts.

Tax on pension returns

Tax on pension returns includes the tax levied on returns relating to the group's life insurance activities, notwithstanding whether the tax is payable now or at a later date.

BALANCE SHEET

Intangible assets

Customer relationships

Customer relationships calculated and capitalised in connection with the acquisition of the majority of Saxo Privatbank A/S's activities are amortised over a period of seven years. The customer relationship has been measured at fair value on initial recognition and subsequently at cost less accumulated amortisation.

Software

Software is measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Software is amortised on a straight-line basis over an expected useful life not exceeding five years.

In determining cost, all costs directly attributable to the development of the software and that will probably generate economic benefits for the group are recognised. All other costs are expensed as incurred. Amortisation and impairment are recognised as administrative expenses.

Land and buildings

Land and buildings owned by the group are classified as either investment properties or owner-occupied properties. Owner-occupied properties comprise properties which Alm. Brand generally uses for ad-

ministrative purposes. Other properties are classified as investment properties.

The fair value of land and buildings is assessed on an annual basis. An external appraiser may be engaged where necessary.

Investment properties

Investment properties are measured at a fair value calculated in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The fair value is calculated on the basis of the yield method, which involves a valuation of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Adjustments of the value of investment properties are recognised in the income statement in the financial year when the change occurred.

Owner-occupied properties

Owner-occupied properties are measured at a revalued amount corresponding to the fair value at the revaluation date less accumulated depreciation and value adjustments. The fair value is calculated on the

basis of the Danish Financial Supervisory Authority's guidelines on the yield method, which involves the measurement of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful life of the properties, which is estimated to be 60 years. Depreciation is calculated with due consideration to the expected residual value and is recognised in the income statement under administrative expenses.

Revaluations with the addition or deduction of the tax effect, including properties classified as owner-occupied properties, are made through other comprehensive income and tied in revaluation reserves. If a revaluation can no longer be maintained, it is reversed. Writedowns that do not offset previous revaluations are made in the income statement.

The part of the revaluations that can be attributed to insurance contracts with bonus entitlement is subsequently transferred to

collective bonus potential in accordance with the contribution rules filed.

The yield method

The operating budget recognises rental income from full letting, as any rent for vacant premises or other lack of rental income is offset against the estimated value. Accordingly, the operating budget recognises normal maintenance of the property. Any major anticipated renovation work, restoration work or repair is offset against the estimated value.

The rate of return is determined based on current market conditions for the type of property taking into account the state of repair, location, use, leases, etc.

Reinsurers' share from insurance contracts

The reinsurers' share of the technical provisions is calculated as the amounts expected to be received from reinsurance companies under the applicable reinsurance contracts.

The group regularly assesses its reinsurance assets for impairment. If there is a clear indication of impairment, the carrying amount of the asset is written down.

Other assets

Other assets comprise various receivables and prepayments as well as assets comprised by IFRS 16 Leases. The item also comprises positive fair value of spot transactions and derivative financial instruments, operating equipment and assets taken over temporarily.

Forward transactions, futures, swaps, options and unsettled spot transactions are measured at fair value on initial and subsequent recognition. Positive and negative fair values of derivatives are recognised as Other assets or Other liabilities, respectively. Changes in the fair value of derivatives are recognised in the income statement.

The loss option issued by Alm. Brand Bank A/S to cover credit losses on mortgage deeds in Alm. Brand Forsikring A/S is measured using the credit model, which is also used for the measurement of the bank's other delinquent mortgage deeds.

Assets held temporarily comprises properties and cars only temporarily in the group's possession and awaiting sale within 12 months and where a sale is very probable. The item is measured at the lower of the carrying amount and the fair value less expected costs to sell.

Prepayments comprises expenses incurred prior to the balance sheet date but which relate to a subsequent accounting period.

Leasing

On conclusion of a contract, an assessment is made of whether the contract is, or contains, a lease. This is established based on the following assumptions:

- the underlying asset may be identified;
- the group is entitled to obtain all economic benefits from use of the asset;
- the group is entitled to direct the use of the asset.

Alm. Brand recognises a right of use or similar liability for all leases. If the group is the lessee, however, short-term leases (12 months or less) or leases of low-value assets are not included.

Upon commencement or reassessment of a contract containing lease components, a right of use (ROU asset) and a lease liability are recognised. ROU assets are measured at initial cost, comprising the initial amount of the lease liability adjusted for

- lease payments made at or prior to commencement;
- any direct costs;
- lease incentives received;
- estimated term of the contract.

ROU assets are tested for impairment in the event of changes to the contractual basis etc.

Furniture and equipment, computers, cars, etc.

Operating equipment is measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the estimated useful life of the assets taking into account the expected residual value. The expected useful lives are assessed to be:

Cars	5 years
Furniture and equipment	3-5 years
IT equipment	3-5 years

Cost comprises acquisition cost and directly attributable costs.

Leasehold improvements are capitalised and amortised over their estimated useful lives, up to five years, taking into account the expected residual value.

Investment assets

Investment assets comprise financial assets measured at fair value. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

Investment assets are measured at fair value on initial and subsequent recognition. The determination of fair value and the classification of value adjustments of financial instruments in the financial statements depend on whether the fair value can be reliably measured. Generally, the group's financial instruments form part of the trading book, however, not unlisted shares and parts of the portfolio of mortgage deeds designated at fair value.

Listed financial assets are measured at fair value based on the closing price at the balance sheet date, or, in the absence of a closing price, another public price deemed to be most similar thereto.

Bonds at amortised cost comprise listed bonds intended to be held to maturity and to generate the contractual payments over the period. Bonds at amortised cost are measured at fair value plus transaction costs on initial recognition. The bonds are subsequently measured at amortised cost.

For the majority of the unlisted shares, it is assessed that the fair values can be measured sufficiently reliably using recognised valuation methods. These assets are on this basis measured at fair value, and value adjustments are taken to the income statement. For unlisted assets that are managed by external fund managers, these calculate

an estimated market value based on the estimated present value of expected future cash flows.

The measurement of financial instruments at fair value is consistent with the group's internal risk management, which is based on market exposure of assets and liabilities subject to risk.

Financial assets are recognised or derecognised at the settlement date.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through income are included in the income statement in the period in which they arise.

Securities sold under agreements to repurchase at a later date (repo transactions) remain in the balance sheet. Amounts received are included as amounts owed to the purchaser and are subject to interest at the agreed rate. Measurement of securities is unchanged, and both value adjustments and interest etc. are recognised in the income statement. Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

Derivative financial instruments

Derivatives are measured at fair value on initial recognition. Subsequently, derivatives are measured at fair value at the balance sheet date. Changes in fair value are recognised in the income statement as financial income or expenses.

Loans, advances and receivables, including mortgage deeds

Mortgage deeds are measured at fair value on initial and subsequent recognition.

The calculation of the fair value of mortgage deeds is based on both a credit model and a market value model including parameters such as expected prepayments, loss rates and interest rate level. The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates.

The market value model is used for the valuation of mortgage deeds not in default. The model builds on a number of assumptions for required rate of return, expected credit losses and repayments. The model revalues the mortgage deed at a value above the nominal amount of the residual debt if the mortgage deed coupon is higher than the discount rate less expected credit losses.

Mortgage deeds that meet certain default criteria, including delinquency, death of the

debtor and forced sale, are valued on the basis of the credit model. Any unsecured part is written down when the default criterion materialises. However, in the event of delinquency, the impairment writedown will be made over a period of time, always provided that any unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days.

Other loans and advances and other receivables are measured at amortised cost. On initial recognition, the portfolio is measured at fair value plus transaction costs less fees and commissions received that are directly related to the acquisition or issue of the financial instrument. On subsequent recognition, such loans, advances and other receivables will be adjusted to amortised cost on a current basis using the effective interest method.

Impairment writedowns

For Loans, advances and other receivables at amortised cost, an impairment model based on the expected loss (the expected loss model) is used. Under the expected loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk since initial recog-

nition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, but interest income is recognised in the income statement using the effective interest method relative to the impairment loss.

Loss allowances on stage 1 and 2 customers/facilities, except for the weak part of stage 2, are recognised on the basis of a collective model, whereas loss allowances for weak stage 2 customers/facilities and stage 3 customers/facilities are recognised on the basis of a manual, individual assessment.

The expected loss is calculated as a function of PD (probability of default) calculated as the probability of OEI (objective evidence of impairment), EAD (exposure at default) and LGD (loss given default) and incorporating forward-looking information that represents management's expectations of future developments.

The placing into stages and calculation of the expected loss are based on Alm. Brand Bank's rating models and internal credit management. The bank applies a rating scale of 1 to 10, with 10 representing cus-

tomers exhibiting objective evidence of impairment (OEI). The bank applies criteria for switching between stages that correspond to switches between the Danish Financial Supervisory Authority's rating categories, but adjusted to reflect the bank's internal credit management. The bank's rating scale may be traced to the Danish Financial Supervisory Authority's rating categories as follows: rating 1-5 => 2a, rating 6-8 => 2b, rating 9=> 2c and rating 10 => 1.

Accordingly, the assessment of the change in credit risk assumes a significant increase in credit risk relative to the time of initial recognition in the following situations:

- An increase from rating 1-3 to rating 5 (increase within 2a)
- An increase from rating 1-4 to rating 6 (increase from 2a to 2b)
- An increase from rating 1-5 to rating 7 (increase from 2a to 2b)
- An increase from rating 1-6 to rating 8 (increase within 2b)
- All customers with rating 9 correspond to customers exhibiting significant signs of weakness (2c)
- Overdrafts or arrears in respect of a customer's financial assets for a period of more than 30 consecutive days calculated at the balance sheet date.

However, if the credit risk of the financial asset is considered to be low at the balance sheet date, the asset will remain at stage 1, characterised by no significant increase in credit risk. Alm. Brand Bank assesses credit risk to be low when Alm. Brand Bank's internal rating of the customer is 1-4.

In addition to loans, advances and receivables satisfying the rating criterion, the category of assets with low credit risk comprises receivables from Danish credit institutions and Danish government bonds and mortgage bonds.

An exposure is defined as being impaired (stage 3) and in default if it satisfies at least one of the following criteria:

- Alm. Brand Bank assesses that the borrower will not be able to honour his or her obligations as agreed.
- The borrower is in significant financial difficulty; the borrower has committed a breach of contract; Alm. Brand Bank has granted the borrower concessions due to the borrower's financial difficulties; or it is likely that the borrower will become insolvent or become subject to other forms of financial reconstruction.
- The exposure has been in arrears/ overdraft for more than 90 days by an amount considered to be substantial.

However, financial assets where the customer is experiencing significant financial difficulty or where the bank has granted concessions due to the customer's financial difficulties are maintained in stage 2 if no loss is expected in the most likely scenario.

The definition of impairment and default applied by Alm. Brand Bank in the measurement of the expected credit loss and on transition to stage 3 is in accordance with the definition applied for internal risk management purposes, and the definition is also aligned with the definition of default in the Capital Requirements Regulation (CRR). This implies that an exposure which is deemed to be in default for regulatory purposes will always be placed in stage 3.

The calculation of impairment losses on exposures in stages 1 and 2, except for exposures for which there is objective evidence of impairment in stage 2, is made on the basis of a collective model, whereas the calculation of impairment losses on the remaining part of the exposures is made by means of a manual, individual assessment based on three scenarios (base scenario, a more positive scenario and a more negative scenario) including the likelihood of the scenarios occurring.

All impairment writedowns on loans and advances, undrawn credit lines, loan com-

mitments and guarantees are considered to be individual impairment writedowns, and Alm. Brand Bank has ceased under the IFRS 9-compatible impairment rules to recognise collective impairment writedowns for such financial assets. Alm. Brand Bank considers the credit risk for Danish government bonds and mortgage bonds to be low (see above), and a management estimate is made for this category of financial assets. Moreover, a management estimate is made in situations where it is assessed that the expected loss model will not suffice.

The collective model calculation is made on the basis of a model that builds on Alm. Brand Bank's classification of customers into rating categories and an assessment of the risk attaching to the individual rating categories. The calculation is made in a setup which is developed and maintained in cooperation with Bankdata, supplemented by a forward-looking macroeconomic module developed and maintained by LOPI, the Association of Local Banks in Denmark, and which forms the basis of the incorporation of management's expectations for the future.

The macroeconomic module consists of a number of regression models that establish the historical correlation between impairment for the year in a number of sectors and industries and a number of

explanatory macroeconomic variables. The regression models then calculate estimates of the macroeconomic variables based on forecasts from consistent sources, such as the Danish Economic Council, the Danish central bank and others, providing forecasts that generally look two years ahead and comprise variables such as increases in public spending, increases in GDP, interest rates, etc. That allows for the calculation of anticipated impairment in individual sectors and industries up to two years ahead. For maturities beyond two years and until year ten, a projection of the impairment ratio is made so that it converges with a normal level in year ten. Maturities beyond ten years are assigned the same impairment ratio as in year ten. The forward-looking macroeconomic module generates a number of adjustment factors, which are multiplied on the bank's estimates, thereby adjusting these estimates relative to the base scenario.

Financial assets measured at amortised cost are removed wholly or partly from the balance sheet if Alm. Brand Bank no longer has reasonable expectations of full or partial recovery of the outstanding amount. At the same time, the impairment writedown is eliminated from the statement of accumulated impairment writedowns. Inclusion ceases on the basis of a specific, individual assessment of the individual exposures. For

commercial customers, the assessment is based on the customer's liquidity, earnings and shareholders' equity and the collateral security provided for the exposure. For private customers, the assessment is based on the customer's liquidity, income and capital position as well as any collateral security provided for the exposure.

Alm. Brand Bank continues its collection efforts after the assets have been removed from the balance sheet, the measures taken depending on the specific situation. Alm. Brand Bank generally seeks to enter into a voluntary agreement with the customer, including renegotiation of terms or reconstruction of a business, so that debt collection or petition for bankruptcy is first brought into play when all other measures have been exhausted.

Balances due from credit institutions

Balances due from credit institutions are measured at fair value on initial recognition and subsequently at amortised cost and comprise all receivables from credit institutions and central banks, including receivables in connection with genuine purchase and resale transactions.

Cash in hand and balances at call

Cash in hand and balances at call are measured at fair value on initial recognition and subsequently at amortised cost.

Contingency funds

The contingency funds can only be used for the benefit of policyholders. Contingency fund 2 is moreover subject to the restriction that it can only be used when permission has been obtained from the Danish Financial Supervisory Authority.

Deferred tax has been provided on the group's contingency funds.

Dividends

Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item in the notes relating to shareholders' equity.

Treasury shares

Purchases and sales of treasury shares are recognised as a change in shareholders' equity under Other reserves.

Share options

The share options are settled by means of treasury shares. When the options are exercised, the strike price received is taken to equity.

Subordinated debt

Subordinated debt comprises liabilities which, in the case of liquidation or bank-

ruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims have been honoured. Subordinated debt is recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost using the effective interest method.

Provisions for insurance contracts

All provisions are measured at their discounted value using a maturity-dependent discount rate including volatility adjustment for the duration in question. Alm. Brand uses a yield curve developed in-house according to the same principles and on the basis of data identical to the ones on which EIOPA's published discount rates is based.

Unearned premium provisions

Unearned premium provisions comprise the amounts provided at the end of the year against claims not yet incurred in respect of insurance contracts entered into. The provisions are measured as the present value of the best estimate of future claims at the balance sheet date for the part of the risk period not yet run off, including all direct and indirect administrative and claims-handling expenses. The premium provisions comprise all insurance contracts entered into and take into account all agreed premium rates, irrespective of whether they have fallen due for payment

before the time of calculation. Newly written insurance contracts are recognised when an agreement has been concluded, whereas renewed insurance contracts are recognised when there is one month or less until the renewed contract enters into force.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the present value of the company's liabilities in respect of health and personal accident policies and the present value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk and costs incurred in managing insurance and claims handling. The market value expectations include a risk margin in accordance with the Solvency II principles. The insurance period for health and personal accident insurances is calculated until the next renewal date of the insurance. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected.

The provisions are calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated based on the company's histori-

cal claims ratios on mortality and disability, respectively, and costs relative to the assumptions in the calculation basis for new contracts. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

Profit margin

Profit margin is the expected future earnings for the insurance contracts which the company has entered into at the end of the year. The profit margin is measured as the present value of the accrued profit on profit-making contracts.

Measurement of the profit margin comprises all insurance contracts entered into. Newly written insurance contracts in Alm. Brand Forsikring's portfolio will be recognised when an agreement has been concluded, whereas renewed insurance contracts are recognised when there is one month or less until the renewed contract enters into force. Both newly written insurance contracts and renewed insurance contracts in the Health and Personal Accident Insurance portfolio of Alm. Brand Liv og Pension are recognised as from the beginning of the risk period.

Risk margin

The risk margin comprises the amount which the company is expected to have to

pay to a third party to take over the risk that the realised future costs deviate from the estimated level stated under unearned premium and claims provisions at the end of the accounting period.

The risk margin is measured as the present value of the future cost of capital related to maintaining the solvency capital required for settlement of the company's current liabilities and risks.

The measurement is based on the company's solvency capital requirement and is consistent with the Solvency II principles, as the future solvency capital requirements are approximated by the current solvency capital requirement written down proportionally by the remaining share of the expected cash flow for the unearned premium and claims provisions. The calculation of the cost of capital is based on the Cost-of-Capital rate of 6% under Solvency II. The risk margin development tracks the development in the company's solvency capital requirement.

Life insurance provisions

Life insurance provisions are measured at market value based on an expected cash flow discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA. The market value ex-

pectations include a risk margin in accordance with the Solvency II principles. The risk margin comprises the amount which the company is expected to have to pay to a third party to take over the risk. A profit margin is also calculated, which represents the value of the future profit which the company is expected to be able to recognise as income from its life insurance and pension business. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

The expected future insurance benefits are estimated based on projections of mortality, surrender of insurance policies and cessation of premiums (paid-up policies). These are estimated based on the company's historical claims ratios on mortality and disability, respectively, and actual costs relative to the assumptions in the calculation basis for new contracts and actual surrenders and premium cessations.

Life insurance provisions are divided into provisions for guaranteed benefits, individual bonus potential and collective bonus potential. Life insurance provisions are calculated at market value, based on individual calculations for each policy. Also, bonuses earned but not yet added to the individual policies are added to the provisions. For amounts exempt from tax on pension

returns, a discount rate without deduction of tax on pension returns is used.

The provisions are generally calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated on the basis of an empirical analysis of the company's insurance portfolio.

Provisions for the guaranteed benefits comprise obligations to pay benefits guaranteed to the policyholder. Provisions for guaranteed benefits are calculated as the difference between the present value of the benefits guaranteed by the insurance policy and the present value of the expected future insurance administration costs less the present value of the agreed future premiums. The provision includes an estimated amount in cover of future benefits resulting from already incurred claims and an estimated amount for claims incurred but not reported.

The individual bonus potential comprises obligations to pay a bonus in relation to both expected not yet due premiums and premiums already due. The bonus potential is calculated as the value of policyholders' savings less provisions for guaranteed benefits, including expectations in relation to surrenders and paid-up policies. Whether

the bonus potential is to be strengthened is determined individually for each policy.

Outstanding claims provisions

Outstanding claims provisions comprise the amounts provided at the end of the year against claims reported but not settled and against payment of claims incurred but not reported. The provisions are measured as the present value of the best estimate of these claims expenses at the balance sheet date. They are generally determined using statistical methods based on the aggregate historical development in payments and case reserves. The statistical methods are supplemented by best estimates of claims processors and claims assessors in the event of major claims. For workers' compensation, a separate model has been introduced which is mainly based on rulings and case officer assessments of individual claims. Moreover, provisions are made to cover expected delayed reporting of claims incurred and expected future reopening of claims. In addition to the statistical methods, an assessment is included of other factors affecting the necessary level of outstanding claims provisions, such as changes in legal practice, internal processes, inflation and singular, extreme claims.

The outstanding claims provisions also include amounts to cover direct and indirect costs which are reasonably considered

to be adequate in relation to settling the claims obligations. The estimate of the provision is based on the direct and indirect costs incurred during a normal claims year on the establishment of new claims and the processing and settlement of old claims. Included in the calculations is the ratio of claims paid and the outstanding claims provisions at year end, including claims incurred but not reported.

The cash flow regarding payment of provisions is estimated for all lines and discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA.

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provisioning models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation is calculated explicitly and consists of an inflation element and a real wage element.

Several assumptions and estimates underlying the calculation of the provisions for claims are mutually dependent. However, the most important interdependence is that between the assumption regarding inflation and interest rates, although the effect of changes in the inflation rate as-

sumption will not affect the calculation of the outstanding claims provisions as effectively as changes to the discount rate.

Provisions for claims relating to health and personal accident insurance are calculated at the present value of expected future payments. The outstanding claims provisions regarding health and personal accident insurance also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to settling the claims obligations. For reported claims, an individual assessment is made of the date of payment. The costs are estimated on the basis of the average duration of established claims payments and an assessment of the annual costs incurred in handling claims. The provisions for current disablement benefits are determined individually, and an assessment of the duration of the benefits is made for each policy. The provision calculated is increased by a risk margin in accordance with the Solvency II principles.

Liability adequacy test

The outstanding claims provisions are calculated according to actuarial methods and with a view to avoiding run-off losses as well as run-off gains. At the calculation date, the provisions thus represent the best estimate of future claims for the current and previous claims years. The outstand-

ing claims provisions are calculated on a monthly basis, and the level is therefore assessed to be adequate at all times.

The provision will be discounted if such discounting has a material impact on the size of the liability.

Long-term employee obligations

Provisions for pensions and similar obligations comprise jubilee benefits etc. to employees, notwithstanding that the future benefit is subject to the individual being employed by the company at the time of payment of the benefit. The value of the future benefits is recognised as the present value of the benefits expected to be paid based on a best estimate.

Current costs in respect of pensions etc. for the group's employees are treated as defined contribution plans. For defined contribution plans, the group pays fixed contributions and has no obligation to pay any further contributions. The obligations are fully funded.

Other financial liabilities

On initial recognition, other financial liabilities are measured at fair value less transaction costs. The liabilities are subsequently measured at amortised cost.

Deposits with ceding companies comprise amounts received which are kept to cover the insurance liabilities of other insurance companies towards the group's reinsurance companies.

Deposits for financial reinsurance comprise premiums received less deductions for claims paid equivalent to the company's liabilities pursuant to contracts made.

Leasing

On initial recognition, lease liabilities are measured at the present value of the lease payments. For discounting, the rate implicit in the lease is used, if such rate can be readily determined. Alternatively, the borrowing rate on the company's overdraft facility at the time of conclusion of the contract is used.

Subsequently, the liability is measured at amortised cost applying the effective interest method and recognised in "Other liabilities". Remeasurement is effected in the event of a change in the lease payments.

Deposits

Deposits are recognised at amortised cost and comprise all deposits, including obligations in connection with genuine sale and repurchase transactions with counterparties which are not credit institutions or

central banks and customers' receivable margins in connection with futures and option transactions if the customer is not a credit institution.

Payables to credit institutions and central banks

Payables to credit institutions and central banks are measured at amortised cost and comprise, among other things, obligations in connection with genuine sale and repurchase transactions with counterparties which are credit institutions or central banks and receivable margins in connection with futures and option transactions if the customer is a credit institution.

SEGMENT INFORMATION

The business segments Non-life Insurance, Life Insurance, Banking and Other are the group's primary segments and they have been determined on the basis of the regulatory differences. No geographical segment information is provided as the group's activities are predominantly focused on the Danish market.

Non-life Insurance is divided into Private and Commercial. Private comprises the group's insurance sales to private households through own sales channels and the group's health and personal accident activities, which for legal purposes are placed in

Alm. Brand Liv og Pension A/S. Commercial comprises the group's sales to agricultural and commercial customers through own sales channels and partnerships. The management reporting related to Private and Commercial consists exclusively of reporting of the technical result.

Banking

The bank is reported as a combined bank broken down as in the financial highlights.

Net interest and fee income comprises interest and fees from lending to private customers as well as small and medium-sized enterprises. Further included is income from Alm. Brand Forsikring related to the administration of mortgage deeds. Trading income comprises the bank's earnings from market activities, including brokerage fees and advisory and asset management fees. Leasing consists of lease agreements with private and commercial customers, the income being calculated on a net basis, i.e. after depreciation of the lease assets. Other income consists of other operating income, including income from sector shares etc., proceeds from the sale of properties and an option premium for the hedging coverage of credit risk on mortgage deeds sold to Alm. Brand Forsikring.

Costs comprise remuneration for the Management Board and the Board of Directors and staff costs and other administrative expenses. Further included are amortisation and depreciation of intangible assets and property plant and equipment which are not lease assets or customer relationships.

Investment portfolio earnings consist of the return on the investment portfolio of bonds. Further included is the result of internal funding, interest paid on a subordinated loan, interest from money market placements, hedging of interest and currency positions in the banking group.

Impairment writedowns comprise credit losses from loans and advances and mortgage deeds as well as income from exposures previously written off.

Amortisation, customer relationships concerns amortisation of the intangible asset relating to customer relationships.

More detailed information about the individual segments is provided in the management's review.

CASH FLOW STATEMENT

The cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities include the items of the income statement adjusted for operating items of a non-cash nature. Realised gains and losses on the sale of tangible assets or investment assets are included in cash flows from investing activities.

Cash flows from investing activities include changes in intra-group accounts and net additions of investment assets, including realised gains and losses on the sale of such assets.

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

Cash and cash equivalents comprise cash and demand deposits.

DISCLAIMER

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

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

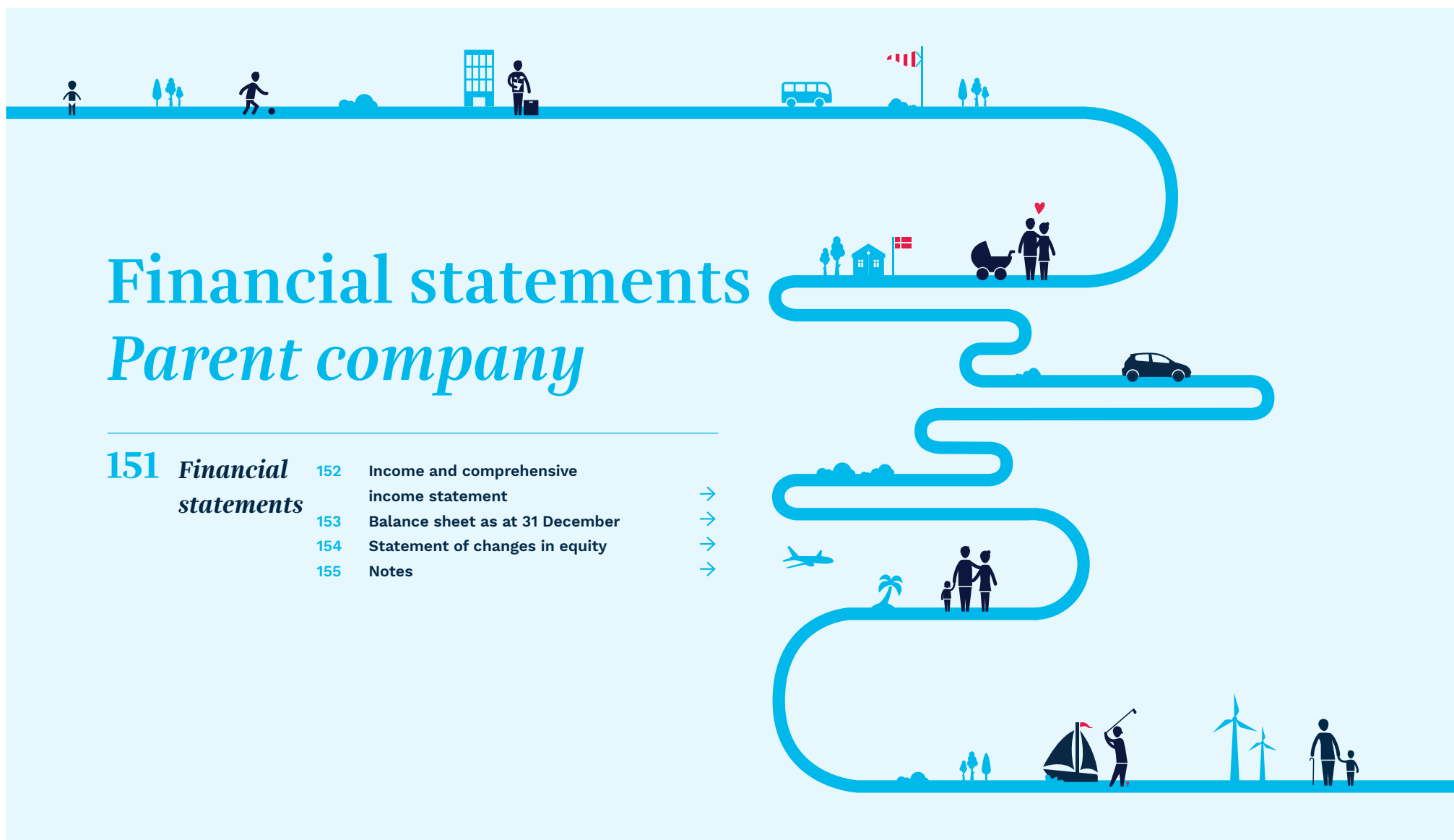
This annual report has been translated from Danish into English. In the event of any discrepancy between the Danish-language version and the English-language version, the Danish-language version shall prevail.

Financial statements

Parent company

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Income and comprehensive income statement

DKK m	Note	Parent company	
		2019	2018
Income statement			
Income from group enterprises	1	530	614
Interest income and dividends, etc.	2	3	4
Interest expenses	3	-8	-12
Value adjustments	4	0	-1
Administrative expenses related to investment activities	5	-96	-50
Total return on investments		429	555
Profit/loss before tax			
Tax	6	23	14
Profit/loss for the year		452	569
Proposed allocation of profit/loss for the year:			
Proposed dividend		460	470
Retained earnings		-8	99
Profit/loss for the year		452	569
Comprehensive income			
Profit/loss for the year		452	569
Total comprehensive income		452	569
Proposed allocation:			
Proposed dividend		460	470
Retained earnings		-8	99
Total comprehensive income		452	569

Balance sheet as at 31 December

				Parent company			
DKKkM	Note	2019	2018	DKKkM	Note	2019	2018
Assets				Liabilities and equity			
Investment in group enterprises	7	4,948	5,017	Share capital		1,577	1,610
Total investments in group enterprises		4,948	5,017	Other provisions		1,215	1,215
Equity investments		1	1	Proposed dividend		460	470
Bonds		0	0	Retained earnings		1,324	1,453
Other loans and advances		2	2	Total shareholders' equity	11	4,576	4,748
Cash in hand and balances at call	8	1	1	Subordinated debt		250	250
Total other financial investment assets		4	4	Total subordinated debt	12	250	250
Total investment assets		4,952	5,021	Deferred tax liabilities	13	37	38
Other receivables	9	53	55	Total provisions		37	38
Total receivables		53	55	Payables to credit institutions		149	41
Current tax assets	10	22	16	Payables to group enterprises		196	18
Other assets		175	0	Total payables		345	59
Total other assets		197	16	Total liabilities and equity		5,208	5,095
Miscellaneous prepayments		6	3	Contingent liabilities, guarantees and lease agreements	14		
Total prepayments and accrued income		6	3	Staff costs	15		
Total assets		5,208	5,095	Auditors' fees	16		
				Related parties	17		
				Accounting policies	18		

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
Shareholders' equity at 1 January 2018	1,655	1,215	1,586	480	4,936
Change in accounting policies			-62		-62
Adjusted shareholders' equity at 1 January 2018	1,655	1,215	1,524	480	4,874
Changes in shareholders' equity 2018:					
Profit/loss for the year			569		569
Comprehensive income			569		569
Cancellation of treasury shares	-45		45		0
Proposed dividend			-470	470	0
Dividende distributed			3	-480	-477
Share option scheme, exercise			28		28
Purchase and sale of treasury shares			-246		-246
Changes in shareholders' equity	-45	0	-71	-10	-126
Shareholders' equity at 31 December 2018	1,610	1,215	1,453	470	4,748
Shareholders' equity at 1 January 2019	1,610	1,215	1,453	470	4,748
Changes in shareholders' equity 2019:					
Profit/loss for the year			452		452
Comprehensive income			452		452
Cancellation of treasury shares	-33		33		0
Proposed dividend			-460	460	0
Dividende distributed			3	-470	-467
Share option scheme, exercise			33		33
Purchase and sale of treasury shares			-190		-190
Changes in shareholders' equity	-33	0	-129	-10	-172
Shareholders' equity at 31 December 2019	1,577	1,215	1,324	460	4,576

Notes

DKKm	2019	2018
Note 1 Income from group enterprises		
Alm. Brand Bank A/S	12	22
Alm. Brand Forsikring A/S	518	592
Total income from group enterprises	530	614
<i>The results are recognised in the following items:</i>		
Income from group enterprises	530	614
Total income from group enterprises	530	614
Note 2 Interest income and dividends, etc.		
Bonds	0	1
Interest Alm. Brand Bank	3	3
Total interest income and dividends, etc.	3	4
Note 3 Interest expenses		
Interest expenses, group enterprises	-7	-12
Other interest expenses	-1	0
Total interest expenses	-8	-12
Note 4 Value adjustments		
Bonds	0	-1
Total value adjustments	0	-1
Note 5 to investment activities		
Cost, group enterprises	-1	-2
Other costs	-95	-48
Total administrative expenses related to investment activities	-96	-50

DKKm	2019	2018
Note 6 Tax		
Estimated tax on profit/loss for the year	22	16
Adjustment of deferred tax	1	-2
Total tax	23	14
<i>Tax for the year consists of:</i>		
Tax on accounting profit	22	13
Non-deductible expenses and non-taxable income	1	1
Total tax	23	14
Effective tax rate	5.4%	2.5%
Note 7 Investment in group enterprises		
Cost, beginning of year	8,941	8,491
Additions during the year	0	450
Cost, year-end	8,941	8,941
Revaluation and impairment, beginning of year	-3,924	-3,626
Change in accounting policies	0	-62
Dividend received	-600	-850
Profit/loss for the year	530	614
Revaluation and impairment of treasury shares in subsidiaries	1	0
Revaluation and impairment, year-end	-3,993	-3,924
Investment in group enterprises, year-end	4,948	5,017

Notes

DKKm	2019	2018
Note 7 Investment in group enterprises - continued		
Specification of carrying amount:		
Alm. Brand Bank A/S		
(DKK 1,021 million nominal value wholly owned)	1,895	1,982
Alm. Brand Forsikring A/S		
(DKK 1,032 million nominal value wholly owned)	3,053	3,035
Investment in group enterprises, year-end	4,948	5,017
Note 8 Cash in hand and balances at call		
Escrow account, Alm. Brand Bank	1	1
Cash in hand and balances at call, year-end	1	1
Note 9 Other receivables		
Miscellaneous debtors	6	4
Rent deposit	39	36
Pensionskassen under Alm. Brand A/S	8	15
Other receivables, year-end	53	55
Note 10 Current tax assets		
Current tax assets, beginning of year	16	19
Tax paid in respect of prior years	-16	-19
Tax on profit/loss for the year	22	16
Current tax assets, year-end	22	16

DKKm	2019	2018			
Note 11 Shareholders' equity					
Share capital, beginning of year	1,610	1,655			
Cancellation of treasury shares	-33	-45			
Share capital, year-end	1,577	1,610			
The share capital consists of 157,660,000 shares of DKK 10 each and has been fully paid up.					
DKKm	2019	2018	2017	2016	2015
Share capital, beginning of year	1,610	1,655	1,735	1,735	1,735
Cancellation of treasury shares	-33	-45	-80		
Share capital, year end	1,577	1,610	1,655	1,735	1,735
Reference is made to the statement of changes in equity.					
Solvency					
Tier 1 capital after deductions				2,939	3,105
Total capital after decuctions				3,189	3,355
Weighted assets subject to market risk				4,033	4,079
Total weighted assets				4,033	4,079
Tier 1 capital after deductions as a percentage of total weighted items				72.9%	76.1%
Total capital ratio				79.1%	82.3%

The total capital is calculated in accordance with the CRD-IV rules and the FICOD II rules.

Notes

DKKm	2019	2018
Note 11 Shareholders' equity- continued		
<i>No. of shares</i>		
Reconciliation of the no. of shares (1,000)		
Issued shares, beginning of year	161,000	165,500
Treasury shares, beginning of year	-4,286	-5,876
No. of shares, beginning of year	156,714	159,624
Shares acquired/sold during the year	-2,392	-2,910
Cancellation of treasury shares	3,340	4,500
Issued shares, year end	157,660	161,000
Treasury shares, year end	-3,338	-4,286
No. of shares at year-end	154,322	156,714
<i>Treasury shares</i>		
Nominal value, beginning of year	43	59
Acquired during the year, net	24	29
Cancellation of treasury shares	-33	-45
Nominal value, year-end	34	43
Holding (1,000), beginning of year	4,286	5,876
Acquired during the year	3,891	3,959
Sold during the year	-1,499	-1,049
Cancellation of treasury shares	-3,340	-4,500
Holding (1,000), year-end	3,338	4,286
Percentage of share capital	2.1%	2.7%

DKKm	2019	2018
Note 12 Total subordinated debt		
Floating rate bullet loans maturing 1 April 2029	250	250
Subordinated debt, year-end	250	250
Interest on subordinated debt	7	12
Costs incurred in connection with the raising of the subordinated debt	0	0
The subordinate loan capital carries a floating rate of interest of 3M CIBOR plus 2.5 percentage points.		
The subordinated loan capital is eligible for recognition in full in the calculation of total capital.		
Note 13 Deferred tax liabilities		
Deferred tax liabilities, beginning of year	38	36
Change for the year	-1	2
Deferred tax liabilities, year-end	37	38
Deferred tax on contingency funds in group enterprises	40	40
Deferred tax on equipment	-1	-2
Deferred tax on provisions	-2	0
Deferred tax liabilities, year-end	37	38

DKKm	2019	2018
Note 14 Contingent liabilities,		
Guarantee commitments	168	359

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) writtenthrough ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (Winding-up pension fund). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

Operating lease liabilities amounted to DKK 62 million at 31 December 2018. To this amount was added lease payments of DKK 139 million in extension periods which are expected to be utilised with reasonable certainty, and the amount was then adjusted for discounting in a negative amount of DKK 5 million for a total lease liability of DKK 196 million at 1 January 2019.

For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as an administration company. Alm. Brand A/S has unlimited, joint and several liability together with the other jointly taxed companies for corporate income tax payable from and including the 2013 financial year and for withholding taxes on dividends, interest and royalties from and including 1 July 2012. The net liability of the jointly taxed companies to SKAT is specified in segment reporting, balance sheet. Any subsequent adjustments of income subject to joint taxation and withholding tax, etc. could cause Alm. Brand A/S's liability to increase.

Note 15 Staff costs		
Salaries and wages	40	14
Pension	6	3
Share-based payment	1	1
Total salaries and wages, pension, etc.	47	18

DKKm	2019	2018
Average number of employees	3	3

	2019	2019	2018	2018
	Parent company	Alm. Brand Group	Parent company	Alm. Brand Group
<i>Remuneration to the Management Board and Board of Directors (DKK '000)</i>				
Salaries and wages	33,511	33,511	6,627	6,627
Pension plans	5,448	5,448	2,260	2,260
Share-based payment	876	876	788	788
Total remuneration to the Management Bc	39,835	39,835	9,675	9,675
Directors' fees	4,272	5,597	3,893	5,167
Total remuneration to the Management Board and Board of Directors	44,107	45,432	13,568	14,842

Alm. Brand Group remuneration to the Board of Directors (DKK '000)

Jørgen Hesselbjerg				
Mikkelsen (Chairman)	805	1,155	737	1,070
Jan Skytte Pedersen (Deputy Chairman)	557	880	490	795
Anette Eberhard	390	655	355	610
Ebbe Castella	300	485	275	450
Boris Nørgaard Kjeldsen	270	485	248	450
Per Viggo Hasling Frandsen	270	380	248	355
Karen Sofie Hansen-Hoeck	300	300	275	275
Flemming Fuglede				
Jørgensen (joined in 2018)	270	380	165	237
Henrik Christensen (retired in 2018)	0	0	83	118

Continued on the next page

	2019	2019	2018	2018
	Parent company	Alm. Brand Group	Parent company	Alm. Brand Group
Brian Egested (employee representative)	270	300	248	275
Helle Låsby Frederiksen (employee representative)	270	300	248	275
Susanne Larsen (employee representative)	300	300	275	275
Claus Nexø Jensen (employee representative, joined in 2018)	270	300	165	186
Lars Christiansen (employee representative)	0	0	83	89
Total remuneration to the Board of Directors	4,272	5,920	3,893	5,460
No. of members of the Management Board	1		1	
No. of members of the Board of Directors	12		12	

Remuneration to the Management Board comprises remuneration (DKK 8 million) and severance payments (DKK 30 million) to former Chief Executive Officer Søren Boe Mortensen and remuneration to Chief Executive Officer Rasmus Werner Nielsen (DKK 1 million).

Alm. Brand has decided to provide all employees of the group, including the Management Board, with defined contribution pension plans. The group's expenses in relation to the Management Board's pension plans are shown in the above note.

The total remuneration including any severance payments accruing to the chief executive officer in the event of termination of employment cannot constitute more than up to the equivalent of three years' remuneration.

Effective from 1 July 2016, a share-based remuneration programme for 13% of the fixed salary was established for the senior management team of the Alm. Brand Group. The shares are granted free of charge twice annually (third trading day of June and December, respectively). The value is calculated as a simple average of the average price of one share in Alm. Brand quoted on the first trading day of each calendar month during the calendar months forming the basis

of the individual share grant.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 90 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually.

	2019	2018
<i>Remuneration to risk takers (DKK '000)</i>		
Fixed salary	18,534	17,432
Pension	3,732	3,423
Variable salary	0	75
Share-based payment	1,171	1,137
Total remuneration to risk takers	23,437	22,067
Number of risk takers	13	15

Risk takers are those persons who, in accordance with the Danish Executive Order on remuneration policy and public disclosure of salaries, have a material influence on the company's risk profile. Remuneration to risk takers is included in the allocated costs.

A one-off fee has been paid to risk takers, but no bonus has been disbursed.

Share-based payment

A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

DKKm	2019	2018
Note 16 Audit fees		
Deloitte (DKK '000):		
Audit	621	606
Tax consultancy	618	623
Non-audit services	566	899
Total audit fees	1,829	2,155

Note 17 Related parties

Related parties comprise:

- Members of the company's Management Board and Board of Directors and their related family members
- Companies controlled by members of the Management Board of Board of Directors
- Other companies in the Alm. Brand Group
- Alm. Brand af 1792 fmba, which exercises a controlling influence on the company

Related party transactions:

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value. The company has made a DKK 30 million drawdown on an overdraft facility with Alm. Brand Bank.

Dividends of DKK 500 million were received from Alm. Brand Forsikring A/S in 2019. In 2018, the amount of dividends received from Alm. Brand Forsikring A/S was DKK 850 million.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S.

All agreements and transactions are made on an arm's length basis or, where there is no specific market, on a costrecovery basis.

Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand A/S has issued a guarantee to Alm. Brand Bank, covering 75% (most secure part) of the residual risk on the portfolio of cars held on operating leases. The guarantee is limited to DKK 500 million, and an annual commission of 0.75% of the utilised guarantee is paid. An amount of DKK 3.0 million was paid in 2019.

Note 18 Accounting policies

Generally

The annual report is presented in compliance with the Danish Financial Business Act, including the Executive Order on financial reports presented by insurance companies and lateral pension funds. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

With respect to recognition and measurement, the accounting policies of the parent company Alm. Brand A/S are identical to those described for the group, with the exception that:

Investments in subsidiaries are recognised and measured at the parent company's share of the subsidiaries' net asset value on the balance sheet date.

Apart from the description provided in the group's accounting policies on pages 138 to 150, the accounting policies are consistent with those applied in the 2018 Annual Report.

Definitions of financial ratios and Alternative Performance Measures (APM)

Alm. Brand's management believes that the use of financial highlight and key ratios in the management's review in respect of each business area provides the reader with a good basis for comparing results over time. The financial highlights and key ratios have been prepared on the basis of the statutory requirements for content and are supplemented by individual pieces of relevant information. The information provided in the financial highlights and key ratios contain data regularly provided to management. The management's review describes developments in the individual business areas based on the financial highlights and key ratios. There are only presentation differences between these financial highlights and key ratios and "Segment reporting, income statement" in the IFRS financial statements.

The information provided in the financial highlights and key ratios and the management's review has been supplemented by individual pieces of information in addition to what is specified in legislation. The most significant information is the following:

Payout ratio (Alm. Brand A/S Group):

The total payout ratio for the financial year expresses the total distribution for the year as a percentage of the profit for the year after tax.

Underlying combined ratio (Non-life Insurance):

This ratio is calculated as the combined ratio less factors which may vary considerably from year to year (major claims net of reinsurance, weather-related claims net of reinsurance and run-off result on claims net of reinsurance). Accordingly, the underlying combined ratio reflects the trend in small claims, costs and reinsurance ceded.

Underlying claims ratio (Non-life Insurance):

The underlying combined ratio less the expense ratio.

Claims experience (Non-life Insurance):

This figure is calculated as the sum of the claims ratio and the reinsurance ratio.

Run-off result, claims (Non-life Insurance):

The run-off result on claims reflects the gains and/or losses relating to prior-year technical provisions which affect the result for the current year.

Run-off result, risk margin (Non-life Insurance):

The run-off result on the risk margin is to a significant extent offset by developments in the risk margin for the current year and is hence more or less neutral for the profit for the year.

Return requirement for shareholders' equity (Life Insurance):

Profit before tax broken down according to the guidelines for return on equity which the company has reported to the Danish Financial Supervisory Authority.

Bank

The bank's financial highlights and key ratios are presented in accordance with the internal reporting. The accounting policies on pages 149-150 contain a detailed description of the individual items of the financial highlights and key ratios.

In the calculation of return on equity, consideration is made for capital increases in the year and any other equity entries to the effect that such changes are included on a pro rata basis.

$$\text{Return on equity before tax} = \frac{\text{Profit before tax} \times 100}{\text{Average shareholders' equity}}$$

$$\text{Return on equity after tax} = \frac{\text{Profit for the year} \times 100}{\text{Average shareholders' equity}}$$

FINANCIAL RATIOS, ALM. BRAND A/S – PARENT COMPANY

In the determination of the average number of shares, any stock options and warrants are taken into consideration.

$$\text{Net asset value per share} = \frac{\text{Shareholders' equity} \times 100}{\text{No. of shares at year-end}}$$

$$\text{Earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

$$\text{Diluted earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

$$\text{Price/NAV} = \frac{\text{Share price}}{\text{Net asset value per share}}$$

FINANCIAL RATIOS, NON-LIFE INSURANCE

Financial ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

$$\text{Gross claims ratio} = \frac{\text{Gross claims expenses} \times 100}{\text{Gross premium income}}$$

$$\text{Gross expense ratio} = \frac{\text{Insurance operating expenses} \times 100}{\text{Gross premium income}}$$

$$\text{Net reinsurance ratio} = \frac{\text{Profit/loss on reinsurance} \times 100}{\text{Gross premium income}}$$

Gross premium income is regulated for bonus and premium discounts.

$$\text{Combined ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income}}$$

$$\text{Operating ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income} + \text{Technical interest}}$$

FINANCIAL RATIOS, LIFE INSURANCE

Financial ratios relating to Life Insurance have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

FINANCIAL RATIOS, BANKING

Financial ratios have been calculated in accordance with the Executive Order on financial reporting for credit institutions and investment companies, etc.

$$\text{Interest margin} = \frac{\text{Interest income}}{\text{Avg. interest-bearing assets}} - \frac{\text{Interest expenses}}{\text{Avg. interest-bearing liabilities}}$$

$$\text{Income/cost ratio} = \frac{\text{Income}}{\text{Costs}}$$

$$\text{Impairment ratio for the year} = \frac{\text{Impairment for the year} \times 100}{\text{Loans and advances} + \text{guarantees} + \text{impairment}}$$

Group companies

DKKkm		Profit for the year	Shareholders' equity at year-end	Ownership interest
Holding				
Alm. Brand A/S, Copenhagen	Holding	452	4,576	
Non-life Insurance				
Alm. Brand Forsikring A/S, Copenhagen	Non-life Insurance	518	3,053	100%
Life Insurance				
Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen	Non-life Insurance	90	690	100%
Alm. Brand Ejendomsinvest A/S, Copenhagen	Property	126	1,364	100%
Banking and finance				
Alm. Brand Bank A/S, Copenhagen	Banking	12	1,896	100%
Alm. Brand Leasing A/S, Copenhagen	Car finance and leasing	13	184	100%
Ejendomsselskabet AB ApS, Copenhagen	Property	-4	-1	100%
Other companies				
Alm. Brand Præmieservice A/S, Copenhagen	Financing	0	1	100%

"Ownership interest" indicates Alm. Brand A/S's direct or indirect ownership interests.