



## Alm. Brand A/S

(a public limited liability company incorporated in Denmark registered under CVR no. 77333517)

### **Rights issue of 1,387,026,000 new shares with a nominal value of DKK 1 each at a subscription price of DKK 7.55 per new share with pre-emptive rights for the existing shareholders of Alm. Brand A/S at the ratio of 9:1**

This prospectus (the "Prospectus") has been prepared in connection with a capital increase comprising an offering (the "Offering") and the admission to trading on the regulated market Nasdaq Copenhagen A/S ("Nasdaq Copenhagen") of 1,387,026,000 new shares (the "New Shares") with a nominal value of DKK 1 each in Alm. Brand A/S (the "Company") with pre-emptive rights for the Existing Shareholders (as defined below) of the Company. Immediately prior to the Offering, the Company's registered nominal share capital is DKK 154,114,000 divided into 154,114,000 shares with a nominal value of DKK 1 each (the "Existing Shares" and together with the New Shares, the "Shares"). The Existing Shares are admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0015250344.

On 2 September 2021, the Company held an extraordinary general meeting authorising the Company's board of directors (the "Board of Directors") to issue the New Shares and the Pre-emptive Rights (as defined below) in the Offering. On 8 November 2021, the Board of Directors resolved to increase the nominal share capital of the Company by DKK 1,387,026,000 (corresponding to 1,387,026,000 New Shares with a nominal value of DKK 1 each). Each holder of Existing Shares that is registered with VP Securities A/S ("VP Securities") on 12 November 2021 at 5:59 p.m. CET (the "Allocation Time") as a shareholder in the Company (the "Existing Shareholders") will be allocated 9 (nine) pre-emptive rights (the "Pre-emptive Rights") for each Existing Share held. For each Pre-emptive Right, the holder is entitled, subject to complying with applicable law, to subscribe for one New Share at a price of DKK 7.55 per New Share (the "Subscription Price").

The trading period for the Pre-emptive Rights (the "Rights Trading Period") commences on 11 November 2021 at 9:00 a.m. CET and closes on 24 November 2021 at 5:00 p.m. CET. The subscription period for the New Shares (the "Subscription Period") commences on 15 November 2021 at 9:00 a.m. CET and closes on 26 November 2021 at 5:00 p.m. CET. Any Pre-emptive Rights that have not been exercised during the Subscription Period will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to any compensation. Once a holder of Pre-emptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder, except as set forth in this Prospectus with respect to any withdrawal rights in connection with the filing of a supplement to this Prospectus. The Pre-emptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061678026 and will be traded in the interim ISIN code under the symbol "ALMB T".

Interim shares corresponding to and representing New Shares which have been subscribed for based on Pre-emptive Rights and which will be recorded on subscribers for New Shares' accounts with VP Securities after the subscription has been effected (the "Interim Shares") will be issued under an interim ISIN code DK0061678109. The Interim Shares will not be admitted to trading and official listing on Nasdaq Copenhagen. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares. Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen has conditionally approved the New Shares for admission to trading and official listing. Admission to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021.

Subject to the satisfaction of certain conditions in the underwriting agreement dated on the Prospectus Date (the "Underwriting Agreement"), any New Shares that have not been subscribed for by the Existing Shareholders through the exercise of their allocated or acquired Pre-emptive Rights or by other investors through the exercise of their acquired Pre-emptive Rights before the expiry of the Subscription Period (the "Remaining Shares") will, without compensation to the holders of unexercised Pre-emptive Rights, be subscribed for by an underwriting syndicate consisting of J.P. Morgan AG ("J.P. Morgan") and Nordea Danmark, filial af Nordea Bank Abp, Finland ("Nordea") as joint global coordinators and joint bookrunners (the "Joint Global Coordinators") and Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ), Sverige (SEB Corporate Finance) ("SEB") and Danske Bank A/S ("Danske Bank") as joint bookrunner (the "Joint Bookrunners") (the Joint Global Coordinators together with the Joint Bookrunners, the "Managers" and each a "Manager"). Therefore, subject to the satisfaction of the conditions set out in the Underwriting Agreement, the Company has ensured that all New Shares will be subscribed for corresponding to aggregate gross proceeds of DKK 10,472,046,300.

The Offering consists of (i) a public offering in Denmark and (ii) private placements in certain other jurisdictions, including, in the United States, to "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and outside the United States, in offshore transactions within the meaning and in accordance with Regulation S under the U.S. Securities Act. Prospective investors are hereby notified that the Managers in selling New Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. See 25.10.2 Restrictions on offers and sales in the United States.

#### Joint Global Coordinators and Joint Bookrunners

**J.P. Morgan**

**Nordea**

**Joint Bookrunners**

**SEB**

**Danske Bank**

This Prospectus is dated 8 November 2021

## **IMPORTANT INFORMATION**

### **Restrictions**

This Prospectus has been prepared for the Offering and for admission to trading and official listing of the Pre-emptive Rights and the New Shares on Nasdaq Copenhagen in accordance with Danish legislation and regulations in compliance with the requirements set out in the Prospectus Regulation including delegated regulations, including Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019, and the Danish Capital Markets Act and the Nasdaq Nordic Main Market Rulebook for Issuers of Shares.

This Prospectus has been prepared in accordance with the simplified disclosure regime for secondary issuances as set out in Article 14 of the Prospectus Regulation, and hence, Annex 3 (Registration document for secondary issuances of equity securities) and Annex 12 (Securities note for secondary issuances of equity securities or of units issued by collective investment undertakings of the closed-end type) to the Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019. Further, this Prospectus contains pro forma information prepared in accordance with Annex 20 (Pro forma information) and information about Codan Denmark and Codan Forsikring prepared in accordance with Annex 1 (Registration document for equity securities) to the Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019.

The distribution of this Prospectus and the Offering is restricted by law in certain jurisdictions, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of, or an invitation to, acquire any Pre-emptive Rights, the Interim Shares or to subscribe for New Shares in any jurisdiction in which such offer or invitation would be unlawful. Prospective investors should be aware that they may be required to bear the financial risks of any such investments for an indefinite period of time.

Persons into whose possession this Prospectus may come must inform themselves of and observe all such restrictions. Neither the Company nor the Managers accept any legal responsibility for any violation of any such restrictions by any person, whether or not such person is a prospective purchaser of the Pre-emptive Rights, the Interim Shares or a subscriber of the New Shares.

Neither this Prospectus nor any advertisement or any other offering material may be distributed, published or otherwise made available and the Interim Shares and the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Pre-emptive Rights may not be offered, sold, acquired or exercised, directly or indirectly, in any jurisdiction outside Denmark, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable legislation in the relevant jurisdiction, and the Company and the Managers may require that they receive satisfactory documentation to that effect.

In making an investment decision, investors must rely on their own assessment of the Group and the terms of this Offering as described in the Prospectus, including the risks involved. Any purchase of Pre-emptive Rights, the Interim Shares or New Shares should be based on the assessments of the information in the Prospectus that the relevant investor may deem necessary before deciding whether or not to invest in the New Shares.

For a more detailed description of certain restrictions in connection with the Offering, please see Part II, section 25 – "Terms and conditions of the Offering".

### **Notice to investors in the United States**

The Offering, including the Pre-emptive Rights, the Interim Shares and the New Shares, has not been recommended by any U.S. federal or state securities commission or regulatory authority. Further, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Prospectus. Any representation to the contrary is a criminal offense in the United States.

None of the Pre-emptive Rights, the Interim Shares or the New Shares have been, or will not be, registered under the U.S. Securities Act and are being offered and sold (i) in the United States, only

to persons who are QIBs within the meaning of Rule 144A of the U.S. Securities Act pursuant to an exemption from, or transaction not subject to, the registration requirements of the U.S. Securities Act who sign investor letters; and (ii) outside the United States in compliance with Regulation S of the U.S. Securities Act. Prospective investors are hereby notified that the Managers in selling the New Shares may be relying on the exemption from registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A.

#### **Notice to investors in the European Economic Area**

In relation to each member state of the European Economic Area (other than Denmark) (each a “Relevant State”), no Pre-emptive Rights, the Interim Shares or New Shares have been offered or will be offered to the public in that Relevant State prior to the publication of a prospectus in relation to the Offering which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that it may make an offer to the public in that Relevant State of any Pre-emptive Rights the Interim Shares or New Shares at any time under the following exemptions under the Prospectus Regulation:

- a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- c) in any other circumstances falling within article 1(4) of the Prospectus Regulation,

provided that no such offer of Pre-emptive Rights, the Interim Shares or New Shares shall require the Company or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplement to a prospectus pursuant to article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to the Pre-emptive Rights, the Interim Shares or the New Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering to enable an investor to decide to purchase any New Shares.

#### **Notice to investors in the United Kingdom**

No New Shares, Interim Shares or Pre-emptive Rights have been offered or will be offered in connection with the Offering to the public in the United Kingdom, except that the New Shares, the Interim Shares and the Pre-emptive Rights may be offered to the public in the United Kingdom at any time:

- a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- c) in any other circumstances falling within the UK Financial Services and Markets Act 2000; provided that no such offer of the New Shares, the Interim Shares or Pre-emptive Rights shall require the Company or Managers to publish a prospectus pursuant to the UK Financial Services and Markets Act 2000 Order or a supplement a prospectus pursuant to the UK Prospectus Regulation.

For the purposes of the above, the expression an “offer to the public” in relation to the New Shares, the Interim Shares or Pre-emptive Rights in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any New Shares, the Interim Shares or Pre-emptive Rights to be offered so as to enable an investor to decide to purchase or subscribe for any New Shares, Interim Shares or Pre-emptive Rights, and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

This Prospectus is only being distributed to, and is only directed at, (i) persons outside the UK or (ii) "investment professionals" falling within Article 19(5) of the Financial Promotion Order or (iii) "high net worth companies" and other persons to whom it may lawfully be communicated, falling within the meaning of Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons being "Relevant Persons"). Pre-emptive Rights, Interim Shares and New Shares are only available to Relevant Persons and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such Pre-emptive Rights, Interim Shares or New Shares will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act on or rely upon this Prospectus or any of its contents.

### **Information to distributors**

Solely for the purposes of the product governance requirements contained within: (i) MiFID II; (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (iii) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to a product approval process, which has determined that the Pre-emptive Rights, the Interim Shares and the New Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (b) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment").

Notwithstanding the Target Market Assessment, distributors should note that: (i) the price of the Shares may decline and investors could lose all or part of their investment; (ii) the Shares offer no guaranteed income and no capital protection; (iii) and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to investors in Denmark conducted pursuant to this Prospectus that has been approved by and registered with the Danish FSA).

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Pre-emptive Rights, the Interim Shares and the New Shares and determining appropriate distribution channels.

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## **RESPONSIBILITY STATEMENT**

### **The Company's Responsibility**

The Company is responsible for this Prospectus in accordance with Danish law.

### **The Company's Statement**

We hereby declare, as the persons responsible for this Prospectus on behalf of the Company, in our capacity as members of the Board of Directors and the Executive Management, that to the best of our knowledge, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

We furthermore declare that this Prospectus has been approved by the Danish FSA as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "Prospectus Regulation"). The Danish FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Prospectus. This Prospectus has been prepared in accordance with the simplified disclosure regime for secondary issuances as set out in Article 14 of the Prospectus Regulation, and hence in conformity with Annex 3 and Annex 12 to the Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019 (the Delegated Prospectus Regulation). Further, this Prospectus contains pro forma information prepared in accordance with Annex 20 and information about Codan Denmark and Codan Forsikring prepared in accordance with Annex 1 to the Delegated Prospectus Regulation.

Shareholders and investors should make their own assessment as to the suitability of investing in the Pre-emptive Rights or the New Shares.

Copenhagen, 8 November 2021

### **Alm. Brand A/S**

#### **Board of Directors**

Jørgen Hesselbjerg Mikkelsen  
*Chairman*

Jan Skytte Pedersen  
*Deputy chairman*

Tina Keith Schmidt Madsen  
*Board member*

Karen Sofie Hansen-Hoeck  
*Board member*

Boris Nørgaard Kjeldsen  
*Board member*

Anette Eberhard  
*Board member*

Per Viggo Hasling Frandsen  
*Board member*

Pia Laub  
*Board member*

Lotte Kathrine Sørensen  
*Employee elected member*

Claus Nexø Jensen  
*Employee elected member*

Brian Egested  
*Employee elected member*

Jørgen Hesselbjerg Mikkelsen: Farm owner  
Jan Skytte Pedersen: Manager  
Tina Keith Schmidt Madsen: Manager  
Karen Sofie Hansen-Hoeck: Manager  
Boris Nørgaard Kjeldsen: Managing director  
Anette Eberhard: Manager  
Per Viggo Hasling Frandsen: Estate owner  
Pia Laub: Professional board member  
Lotte Kathrine Sørensen: Staff association chair  
Claus Nexø Jensen: Tied agent (agricultural insurance)  
Brian Egested: Head of department

### **The Executive Management**

Rasmus Werner Nielsen  
*Chief Executive Officer*

## SUMMARY

<b>Section A - Introduction and warnings</b>	
<b>Introduction and warnings</b>	This summary should be read as an introduction to this Prospectus. Any decision to invest in the Pre-emptive Rights and the New Shares should be based on consideration of this Prospectus as a whole by the Shareholders in the Company and investors. Shareholders and investors could lose all or part of the invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff shareholder or investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid Shareholders and investors when considering whether to invest in the Pre-emptive Rights and the New Shares.
<b>Issuer information</b>	The Existing Shares are issued in the ISIN code DK0015250344. The issuer is Alm. Brand A/S. The address and other contact details of the Company are Midtermolen 7, Postboks 268, DK-2100 Copenhagen Ø, Denmark, telephone number +45 3547 4747. The Company has the legal entity identifier number (LEI) 549300H4TGLJVZ6VTA48 and company registration (CVR) no.77333517. The interim ISIN code for the Pre-emptive Rights is DK0061678026. The interim ISIN code for the Interim Shares is DK0061678109.
<b>Competent authority</b>	This Prospectus has been approved by the Danish Financial Supervisory Authority ("Danish FSA") as competent authority under the Prospectus Regulation. The address and other contact details of the Danish FSA are Århusgade 110, DK-2100 Copenhagen Ø, Denmark, telephone number +45 33558282, email <a href="mailto:finansstilsynet@ftnet.dk">finansstilsynet@ftnet.dk</a> and fax +45 3355 8200. This Prospectus has been approved on 8 November 2021.

<b>Section B - Issuer</b>	
<b>Domicile and legal form</b>	The Company is incorporated in Denmark and operates as a public limited liability company under the laws of Denmark. The Company has legal entity identifier number (LEI) 549300H4TGLJVZ6VTA48.
<b>Principal activities</b>	<p>The Group is headquartered in Copenhagen and provides non-life insurance, life insurance as well as pension products. The Group sells a broad range of general insurance products including insurances related to personal accident, workers' compensation, vehicle, fire &amp; content insurance and liability insurance. Within life insurance the product range comprises insurance cover and various types of savings. The Group is the third largest non-life insurer in Denmark with a market share of 8.9% based on gross premium income in Q3 2020 according to the latest available statistics from the Danish industry organisation Forsikring &amp; Pension. In addition, according to the latest available statistics from Forsikring &amp; Pension, the Group had a market share of 0.8% for life insurance measured by gross premium income and subscriptions in 2020.</p> <p>The Group has the following two main operating segments:</p> <ul style="list-style-type: none"> <li>- Non-life insurance, representing 76.3% of total income in 2020 (2019: 72.6%)</li> <li>- Life insurance, representing 24.5% of total income in 2020 (2019: 28.3%)</li> </ul> <p>In 2020, distribution of both non-life and life insurance products on a combined basis were split among the following distribution channels: tied agents (65.2%), customer service centres (23.9%), brokers (7.3%), strategic partnerships (2.2%) and online sales (1.4%). Customer service centres provide advisory services to customers from three regional service centres while tied agents provide services locally from either sales centres or regional offices. The Group as well as its agents and partners distribute all non-life insurance, life insurance as well as pension products of the Group using the Alm Brand brand. However, as part of the Group's recent partnership with Volkswagen Semler Finans Danmark A/S, the Group may provide white label motor insurance products. During 2020, the Group increased its focus on strategic partnerships. New strategic partnership agreements in 2020 included Volkswagen Semler Finans Danmark A/S and Sydbank A/S. The Group's strategic partnership agreement with Sydbank A/S was established in October 2020 concurrently with the Group's sale of Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S (closed in November 2020). On 11 June 2021, Alm. Brand announced that it had entered into a conditional share purchase agreement with Scandi JV Co 2 A/S, Tryg A/S and Intact Financial Corporation (together, the "Sellers") concerning the acquisition of the entire issued and to be issued share capital of Chopin Forsikring (a Danish regulated entity to which the business as conducted by Codan Forsikring and Privatsikring relating to the Danish insur-</p>

	<p>ance business, including the assets and liabilities relating to Danish insurance business of Codan Forsikring and Privatsikring and such other assets and liabilities will be transferred through a Demerger). The Acquisition is expected to be completed during H1 2022. On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&amp;P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. As part of the Divestment, it is expected that the Group will enter into a transitional services agreement (TSA) regarding provision of services necessary for the continued operation of Alm. Brand Liv og Pension for a given period of time.</p>
<b>Major shareholders</b>	<p>As at the Prospectus Date, the Company has received notification that Alm. Brand af 1792 fmba holds 5% or more of the Company's share capital and/or voting rights. The Association is an "association with limited liability" under Danish law in the form of a "fmba". As such, the Association does not have shareholders but instead members with certain rights as stated in the Association's articles of association. The Company has as at the Prospectus Date not received any further notifications of holdings of 5% or more of the Company's share capital or voting rights. As at the Prospectus Date, the Association holds 68,716,284 Shares and 68,716,284 voting rights in the Company (corresponding to approximately 44.6% of the total share capital and voting rights in the Company).</p>
<b>Key managing directors</b>	<p>As at the Prospectus Date, the Board of Directors consists of Jørgen Hesselbjerg Mikkelsen, Jan Skytte Pedersen, Tina Keith Schmidt Madsen, Karen Sofie Hansen-Hoeck, Boris Nørgaard Kjeldsen, Anette Eberhard, Per Viggo Hasling Frandsen, Pia Laub, Lotte Kathrine Sørensen, Claus Nexø Jensen and Brian Egested. In addition, the Executive Management consists of Rasmus Werner Nielsen (CEO).</p>
<b>Statutory auditors</b>	<p>As at the Prospectus Date, the statutory auditor of the Company is EY Godkendt Revisionspartnerselskab.</p> <p>The consolidated financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2020 (the "2020 Consolidated Financial Statements") and the consolidated financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2019 (the "2019 Consolidated Financial Statements") were audited by Deloitte, Statsautoriseret Revisionspartnerselskab represented by State-Authorised Public Accountants Anders Oldau Gjelstrup (MNE-no. 10777) and Brian Schmit Jensen (MNE-no. 40050). The consolidated financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2018 (the "2018 Consolidated Financial Statements") were audited by Deloitte, Statsautoriseret Revisionspartnerselskab, CVR no. 33963556, represented by State-Authorised Public Accountants Henrik Wellejus (MNE-no. 24807) and Brian Schmit Jensen (MNE-no. 40050). The Q1 – Q3 2021 Condensed Interim Financial Statements have not been audited but have for the purpose of this Prospectus been reviewed by Deloitte Statsautoriseret Revisionspartnerselskab, represented by State-Authorised Public Accountants Anders Oldau Gjelstrup (MNE-no. 10777) and Brian Schmit Jensen (MNE-no. 40050) except for the comparative figures for the period Q1 – Q3 2020 that have not been audited nor reviewed.</p>
<b>What is the key financial information regarding the issuer?</b>	
<b>Key financial information</b>	<p>The key financial information shown below has been derived from (i) the Group's audited consolidated financial statements as of and for each of the years ended 31 December 2020, 2019 and 2018 prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for listed financial companies, (ii) the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020 prepared in accordance with IAS 34 as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and (iii) unaudited condensed combined pro forma financial information for 2020 and for Q1 – Q3 2021 for the Enlarged Group assuming the Acquisition and Divestment (as defined below) occurred as at 31 December 2020 for purposes of the unaudited pro forma balance sheet as at 31 December 2020 and on 1 January 2020 for purposes of the unaudited pro forma consolidated income statement for the financial year ended 31 December 2020 and as at 30 September 2021 for purposes of the unaudited pro forma balance sheet as at 30 September 2021 and on 1 January 2021 for purposes of the unaudited pro forma income statement for the period ended 30 September 2021.</p>

	<b>Financial year ended 31 December</b>							
	<b>DKK million</b>	<b>Q1 – Q3 2021 Interim Financial Statements (reviewed)</b>	<b>Q1 – Q3 2020 Interim Financial Statements (unaudited and not reviewed)</b>	<b>Q1 – Q3 2021 Pro Forma Financial Information (unaudited and not reviewed)</b>	<b>2020 Pro Forma Financial Information (unaudited and not reviewed)</b>	<b>2020 (audited)</b>	<b>2019 (audited)</b>	<b>2018 (audited)</b>
<b>Income statement</b>								
Total income	4,227	4,104	8,544	11,074	7,352	7,669	8,608	
Adjusted profit/loss before tax, continuing activities excluding special costs (APM)	590	506	-	-	931	617	724	
Adjusted profit/loss before tax, continuing activities (APM)	500	506	1,005	1,014	833	533	724	
Adjusted profit/loss after tax, continuing activities (APM)	347	390	734	822	643	440	569	
Profit/loss after tax	422	551	734	822	616	452	569	
<b>DKK million Balance sheet</b>								
Provisions for insurance contracts	7,820	24,492	18,676	18,365	24,698	23,593	21,626	
Consolidated shareholders' equity	3,271	5,100	14,058	15,954	5,167	4,576	4,748	
Total assets	30,124	42,711	37,956	40,034	32,780	41,798	39,025	
<b>What are the key risks that are specific to the issuer?</b>								
<b>Key risks</b>	<p>The risks and uncertainties discussed below are those that the Management currently views as material in terms of the Group, and following completion of the contemplated acquisition by the Company of the total issued and outstanding share capital of Chopin Forsikring A/S (a Danish regulated entity to which the business as conducted by Codan Forsikring and Privatsikring relating to the Danish insurance business, including the assets and liabilities relating to Danish insurance business of Codan Forsikring and Privatsikring and such other assets and liabilities will be transferred through a Demerger) (the "Acquisition"), the Enlarged Group, but these risks and uncertainties are not the only ones that it faces. Additional risks and uncertainties, including risks that are not known to the Company at present or that the Management currently deems immaterial or less likely to materialise, may also arise or become material or more likely to materialise in the future, which could, individually or in the aggregate, materially and adversely affect the Group's and Codan Denmark's businesses, results of operations, cash flows, financial position, and/or prospects resulting in a decline in the value of the Existing Shares, Pre-emptive Rights and/or New Shares and a loss of part or all of the prospective investor's investment.</p> <p><b>Risks related to the Acquisition:</b></p> <ul style="list-style-type: none"> <li>- The Acquisition is subject to a number of conditions that remain outstanding at the Prospectus Date, which may not be satisfied or waived or the receipt of which may prevent or delay completion of the Acquisition.</li> <li>- Regulators or other authorities may seek to impose new or more stringent conditions on the Group or the Enlarged Group prior to approving completion of the Acquisition.</li> </ul>							

	<ul style="list-style-type: none"> <li>- The Group has no right to terminate the Acquisition or adjust the purchase price for Codan Denmark if there is a decline in value of Codan Denmark or regulators impose additional requirements on the acquisition affecting value.</li> <li>- The Group's due diligence investigations on Codan Denmark prior to the Acquisition may not have revealed all risks, which, if materialised, may impact the factors considered in attributing value to Codan Denmark or result in unforeseen difficulties and costs in integrating Codan Denmark into the Group.</li> <li>- The Enlarged Group's management and resources may be diverted away from core business activities due to personnel being required to assist in the integration process.</li> </ul> <p><b>Risks relating to the business and industries in which the Group and Codan Denmark operate and in which the Enlarged Group will operate</b></p> <ul style="list-style-type: none"> <li>- The frequency and severity of claims incurred by the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are affected by the incidence of adverse and extreme weather events, catastrophes and climate change and such factors may accordingly adversely affect their cash flows, business, financial condition, results of operations and prospects.</li> <li>- Competition in the market for general non-life and life insurance may adversely impact the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group if they fail to keep pace with changes in the industry, including new challenges presented by traditional and non-traditional competitors, hereunder multi-national insurance companies and other companies, or fail to continue to provide attractive and innovative products and services, use of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's products and services could decline and may thereby adversely affect their cash flows, business, financial condition, results of operations and prospects.</li> <li>- The Group's and Codan Denmark's prospects depend and, following completion of the Acquisition, the Enlarged Group's prospects will depend on customer retention and a continued increase in demand for the products and services offered, the ability to focus on new customer segments, roll-out of adjacent product categories and the economic development in Denmark.</li> <li>- The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are dependent on strategic partnerships and brokers to distribute their products. A loss of business provided by such strategic partners and brokers could have a material adverse effect on the Enlarged Group's assets, strategic position, result of operation and forecasts which may impact its cash flows, business, financial condition, results of operations and prospects.</li> </ul> <p><b>Risks relating to the financial position of the Group and Codan Denmark and, following the completion of the Acquisition, the Enlarged Group</b></p> <ul style="list-style-type: none"> <li>- The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's prospective financial information, ambitions and targets included in this Prospectus may differ materially from its actual results and investors should not place undue reliance on it.</li> <li>- The Group and Codan Denmark are exposed to credit and counterparty risk in relation to financial institutions, including reinsurers. Deteriorations in the financial soundness of financial institutions may have a material adverse effect on their and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.</li> <li>- Failure to maintain adequate capital could have a variety of negative regulatory and operational implications for the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group including requiring additional capital in the future, which will hinge on the credit ratings of the Enlarged Group and may not be available or may only be available on unfavourable terms.</li> </ul>
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<b>Section C – Securities</b>	
<b>What are the main features of the securities?</b>	
<b>Type, class and ISIN</b>	The Company has one share class. The Shares are denominated in DKK. As at the Prospectus Date, the Company has a registered nominal share capital of DKK 154,114,000 divided into 154,114,000 Shares with a nominal value of DKK 1 each. The Existing Shares



	are admitted to trading and official listing on Nasdaq Copenhagen, which is a regulated market, under the ISIN code DK0015250344. The Pre-emptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK 0061678026. The Interim Shares will be issued under the interim ISIN code DK0061678109. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares.
<b>Rights attached to the New Shares</b>	The New Shares will, when fully paid up and registered with the Danish Business Authority, have the same rights as and rank pari passu with the Existing Shares, including with respect to eligibility for any dividends after the completion of the Offering.
<b>Restrictions</b>	The Shares, including the New Shares, are negotiable instruments and no restrictions under Danish law will apply to the transferability of the Shares. The Articles of Association do not contain any transfer restrictions.
<b>Dividend policy</b>	The Company has defined a target for ordinary dividend distribution corresponding to a pay-out ratio of at least 70% of the profit for the relevant financial year after tax. However, such distribution will be subject to the Board of Directors' assessment of any increased capital requirement over the following years, either due to planned activities, special risks or a shortfall in earnings. Further, any future decision of the Board of Directors to propose or pay out dividends and the amounts and timing thereof, will depend on a number of other factors, including future revenue, profits, financial conditions, general economic and business conditions, and future prospects and such other factors as the Management may deem relevant, as well as other legal and regulatory requirements. The ordinary dividend is paid on an annual basis.
<b>Where will the securities be traded?</b>	
<b>Admission to trading and official listing</b>	<p>The Company's Existing Shares have been admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0015250344. In connection with the Offering, the Pre-emptive Rights have been approved for admission to trading and official listing on Nasdaq Copenhagen under the symbol "ALMB T" to the effect that they can be traded on Nasdaq Copenhagen during the Rights Trading Period from 11 November 2021 at 9:00 a.m. CET to 24 November 2021 at 5:00 p.m. CET. The Interim Shares will be issued and registered under the interim ISIN code DK0061678109. The Interim Shares will not be admitted to trading and official listing on Nasdaq Copenhagen. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares.</p> <p>Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen has conditionally approved the New Shares for admission to trading and official listing. Admittance to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021.</p>
<b>What are the key risks that are specific to the securities?</b>	
<b>Key risks</b>	<p>The key risks that are specific to the Existing Shares, the Pre-emptive Rights and the New Shares are:</p> <ul style="list-style-type: none"> <li>- Due to the Offering, the prices of the Existing Shares, the Pre-emptive Rights and the New Shares may be volatile regardless of the Group's or the Enlarged Group's operating performance and results; the stock market in general may experience considerable volatility and investors may not be able to sell Shares at or above the Subscription Price.</li> </ul>

<b>Section D – Offering</b>	
<b>Under which conditions and timetable can I invest in this security?</b>	
<b>Terms and conditions of the Offering</b>	<p>The Offering consists of (i) a public offering in Denmark and (ii) private placements in certain other jurisdictions, including to QIBs in the United States pursuant to an exemption from or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and in offshore transactions outside the United States within the meaning of and in accordance with Regulation S.</p> <p>The Company is offering 1,387,026,000 New Shares with a nominal value of DKK 1 at the Subscription Price and with Pre-emptive Rights for the Existing Shareholders. Each holder of Existing Shares registered with VP Securities on 12 November 2021 at 5:59 p.m. CET as a shareholder in the Company will be allocated 9 (nine) Pre-emptive Rights for each Existing Share. For each Pre-emptive Right, the holder is entitled to subscribe for one New Share of a nominal value of DKK 1 at a Subscription Price of DKK 7.55 per New Share.</p>

	<p>The Rights Trading Period commences on 11 November 2021 at 9:00 a.m. CET and closes on 24 November 2021 at 5:00 p.m. CET. The Subscription Period for New Shares commences 15 November 2021 at 9:00 a.m. CET and closes on 26 November 2021 at 5:00 p.m. CET. Any Pre-emptive Rights not exercised during the Subscription Period will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to compensation. Once a holder of Pre-emptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder.</p> <p>Subject to the satisfaction of certain conditions in the Underwriting Agreement, the Managers have agreed with the Company to subscribe for any New Shares which have not been subscribed for by the Existing Shareholders before the expiry of the Subscription Period ("Remaining Shares").</p>
<b>Admission to trading</b>	<p>The Company's Existing Shares have been admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0015250344. In connection with the Offering, the Pre-emptive Rights have been approved for admission to trading and official listing on Nasdaq Copenhagen under the symbol "ALMB T" to the effect that they can be traded on Nasdaq Copenhagen during the Rights Trading Period.</p> <p>The Interim Shares will be issued and registered under the interim ISIN code DK0061678109. The Interim Shares will not be admitted to trading and official listing on Nasdaq Copenhagen. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares. Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen has conditionally approved the New Shares for admission to trading and official listing. Admittance to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021. As soon as possible thereafter, the interim ISIN code of the Interim Shares will be merged with the ISIN code of the Existing Shares, expected to take place on 7 December 2021.</p>
<b>Dilution</b>	<p>Upon issue of the New Shares, the percentage of ownership of the Existing Shareholders may be reduced. If the Existing Shareholders refrain from exercising Pre-emptive Rights allocated to them in connection with the Offering, each Existing Shareholder's ownership will be diluted by 90%. If the Existing Shareholders elect to partly exercise the Pre-emptive Rights allocated to them, the rate of dilution will be between 0 to 90% depending of the exercise. If the Existing Shareholders exercise their Pre-emptive Rights in full, they will not be diluted.</p>
<b>Estimated expenses</b>	<p>The total estimated costs and expenses in relation to the Offering payable by the Company to the Managers, other adviser fees and expenses and fees related to the Offering, are estimated to be approximately DKK 230 million. Further, the Company has agreed to pay a subscription commission to Danish account holding banks (unless such account holding bank is a Manager) equivalent to 0.10% of the aggregate Subscription Price of the New Shares subscribed for through the relevant account holding institution (except for the Managers), in connection with the Offering.</p> <p>Neither the Company nor the Managers will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account keeping financial institution.</p>
<b>Why is this prospectus being produced?</b>	
<b>Net amounts and use of proceeds</b>	<p>The reason for the Offering is for the Company to raise funds to finance its cash consideration for the Acquisition. Hence, the majority of the proceeds from the Offering (DKK 10,472,046,300) will be used to pay the consideration payable by the Company to the Seller. The remaining part of the proceeds from the Offering will be used to cover part of the fees and expenses payable by the Company in connection to the Offering to the Managers (which fees are expected to be approximately DKK 230,000,000).</p> <p>On the basis of a Subscription Price of DKK 7.55 per New Share and issuance of 1,387,026,000 New Shares with a nominal value of DKK 1 each and that the Offering, subject to certain conditions, is fully underwritten, the gross proceeds to the Company from the subscription for New Shares will be DKK 10,472,046,300 and the net proceeds are expected to be approximately DKK 10,242,046,300 after deduction of commissions and estimated expenses payable by the Company in connection with the Offering. An amount of at least DKK 11,750,000,000 less any amount deposited in cash or cash equivalents on an escrow account (or such lower amount as may be agreed by the Seller in writing pursu-</p>

	<p>ant to the Share Purchase Agreement) must be paid into a DKK-denominated escrow account with the Escrow Agent and will be automatically paid to the Seller on completion of the Acquisition in part satisfaction of the cash consideration payable by the Company according to the Share Purchase Agreement.</p>
<b>Underwriting agreement</b>	<p>In connection with the Offering, the Company and the Managers have entered into an Underwriting Agreement on the Prospectus Date. According to the Underwriting Agreement, and subject to the satisfaction of certain terms and conditions, each of the Managers has severally and not jointly agreed to subscribe for any Remaining Shares, that have not been subscribed for by the Existing Shareholders through the exercise of their allocated or acquired Pre-emptive Rights or by other investors through the exercise of their acquired Pre-emptive Rights before the expiry of the Subscription Period. Hence, all New Shares will thus be fully subscribed, subject to the satisfaction of certain conditions as described below.</p> <p>If, by the times specified in the conditions of the Underwriting Agreement, or if no time is specified, prior to registration of the New Shares with the Danish Business Authority, any of the conditions above is not satisfied (or waived by the Joint Global Coordinators, on behalf of the Managers), the Joint Global Coordinators, on behalf of the Managers, will be entitled to terminate the Underwriting Agreement, which may thereby require that the Company withdraws the Offering. In addition, the Joint Global Coordinators, on behalf of the Managers, will be entitled to terminate the Underwriting Agreement if (i) the Acquisition is withdrawn and the Company has decided not to pursue with the Offering as result thereof, (ii) the Admission is withdrawn by Nasdaq Copenhagen or (iii) the registration of the New Shares is refused by the Danish Business Authority. If the Offering is withdrawn, any exercise of Pre-emptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs) to the last registered owner of the Interim Shares as of the date of such withdrawal. All Pre-emptive Rights will lapse, and no New Shares will be issued. Trades of Pre-emptive Rights executed during the Rights Trading Period will, however, not be affected. Consequently, investors who have acquired Pre-emptive Rights will incur a loss corresponding to the purchase price of the Pre-emptive Rights and any transaction costs. The Company is not liable for any losses that investors may suffer as a result of withdrawal of the Offering including but not limited to, any transaction costs or lost interest. A withdrawal of the Offering will be announced as a company announcement through Nasdaq Copenhagen.</p>
<b>Material conflicts of interest</b>	<p>No actual or potential conflicts of interest exist between any of the duties of the members of the Board of Directors and the Executive Management and their private interests or other duties, it being noted that Jørgen Hesselbjerg Mikkelsen is chairman of the board of directors of the Association, and Jan Skytte Pedersen is deputy chairman of the board of directors of the Company's major shareholder, the Association. Further, Tina Keith Schmidt Madsen, Boris Nørgaard Kjeldsen, Per Viggo Hasling Frandsen, Lotte Kathrine Sørensen, Claus Nexø Jensen and Brian Egested are all members of the board of directors of the Association. Finally, Rasmus Werner Nielsen is chief executive officer of the Association.</p> <p>The Joint Global Coordinators and the Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities related to the Company, its affiliates or other parties involved in or related to the Offering. The Joint Global Coordinators and the Joint Bookrunners have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with the interests of Shareholders, prospective investors and the Company. In addition, in the ordinary course of business, the Joint Global Coordinators and the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Company.</p>

## RISK FACTORS

Investing in the Pre-emptive Rights and/or the New Shares is subject to a number of risks and involves a high degree of financial risk. Prospective investors should carefully consider all information included in this Prospectus (including any information or material incorporated by reference), including the risks described below, before they decide to invest in the Pre-emptive Rights or the New Shares. This section addresses both general risks associated with the industry in which each of the Group, Codan Denmark and the Enlarged Group operates, and the specific risks associated with their businesses. If any such risks were to materialise, the Group's, or following completion of the Acquisition and the Group's divestment of Alm. Brand Liv og Pension, the Enlarged Groups', business, results of operations, cash flows, financial position and/or prospects could be materially and adversely affected, resulting in a decline in the value of the Pre-emptive Rights and/or the New Shares and a loss of part or all of the prospective investor's investment. Further, this section describes certain risks relating to the Offering, the Pre-emptive Rights and the New Shares which could also adversely impact the value of the Pre-emptive Rights and/or the New Shares.

The risks and uncertainties discussed below are those that the Management currently views as material in terms of the Group, and following completion of the Acquisition, the Enlarged Group, but these risks and uncertainties are not the only ones that it faces. Additional risks and uncertainties, including risks that are not known to the Company at present or that the Management currently deems immaterial or less likely to materialise, may also arise or become material or more likely to materialise in the future, which could, individually or in the aggregate, materially and adversely affect the Group's and Codan Denmark's businesses, results of operations, cash flows, financial position, and/or prospects resulting in a decline in the value of the Pre-emptive Rights and/or New Shares and a loss of part or all of the prospective investor's investment. In particular, with respect to certain risks and uncertainties discussed below, Management has assessed the probability of such risk or uncertainty materialising and, if such risk or uncertainty did materialise, the expected impact on the Company (the "Forward-Looking Assessments"). By their very nature, such Forward-Looking Assessments are inherently uncertain and are subject to a wide variety of significant assumptions and business, economic, and competitive risks and uncertainties (including events and circumstances that may or may not occur in the future and may not be within the Company's control) that could cause actual results to differ materially from the Forward-Looking Assessments presented in this Prospectus. The Company urges shareholders and prospective investors to treat the Forward-Looking Assessments with caution and not place undue reliance on the Forward-Looking Assessments. With respect to forward-looking statements that involve risks and uncertainties, see "General Information".

The most material risks, as currently assessed by the Management, taking into account the expected magnitude of their negative impact on the Group, Codan Denmark and the Enlarged Group and their business are set out first in each category of risk factors below. These "Risk Factors" (including the Forward-Looking Assessments) speak only as of the Prospectus Date, and the Company undertakes no obligation and does not intend to update such statements in the future.

## **1. RISKS RELATING TO THE ACQUISITION**

### **1.1 The Acquisition is subject to a number of conditions that remain outstanding at the Prospectus Date, which may not be satisfied or waived or the receipt of which may prevent or delay completion of the Acquisition.**

The obligations of the parties to complete the Acquisition is subject to a number of conditions that remain outstanding as of the Prospectus Date which are detailed in this Prospectus in Part I, section 5.3 – "Details of the Acquisition" – "The Acquisition", including:

- i) completion of the Demerger and registration thereof with the Danish Business Authority and the approval of the Demerger by the Danish FSA;
- ii) completion of the Reorganisation;
- iii) completion of the fundraising, being the receipt by the Company (or its agent) of net proceeds of at least DKK 11,750,000,000 less any amount deposited in cash or cash equivalents on an escrow account (or such lower amount as may be agreed by the Seller in writing) pursuant to a pre-emptive offering of new shares to its Shareholders (as is the purpose of the Offering) pursuant to the Stand-by Underwriting Agreement, the Underwriting Agreement and subscription undertakings from the Association and potentially certain other investors as described in Part II, section 25.15 – "Terms and conditions of the Offering" – "Plan of distribution and allotment and process for notifying applicants";
- iv) approval from the Danish FSA in accordance with section 61 of the Danish Financial Business Act of the Company as well as any holder of direct or indirect qualifying interest in the Company as acquirer of Chopin Forsikring and Privatsikring (the business of which is referred to in this Prospectus as Codan Denmark) after the completion of the Demerger; and
- v) approval from the Danish Competition and Consumer Authority required to consummate the transactions contemplated by the Share Purchase Agreement.

Although the Company has given certain contractual commitments to satisfy the conditions to the Acquisition for which it is responsible, including to use best endeavours to ensure the satisfaction of the required regulatory approvals referenced above, and in the case of the required competition approval from the Danish Competition and Consumer Authority, to accept any conditions as may be required by Danish Competition and Consumer Authority to obtain such approval, fulfilment of the conditions are generally not within the Company's control and there is no guarantee that the conditions for completion of the Acquisition that have not been satisfied as of the Prospectus Date will be satisfied (or waived, if applicable) or, if satisfied, when this may occur. The Acquisition may, therefore, not complete (if the conditions are not satisfied (or, if capable of waiver, waived) by the Long Stop Date as defined in Part I, section 5 – "Details of the Acquisition" or may be delayed.

Further, the Seller is wholly or partly responsible for leading the process for fulfilling certain of the conditions, including seeking certain of the required approvals, in particular in relation to completion of the Demerger and completion of the Reorganisation. Any failure or delay hereof

may result in a delay in the completion of the Acquisition and/or lead to the abandonment of the Acquisition. Please also see "Risk Factors", 1.7 – "If the Acquisition does not complete and the Group fails to identify suitable alternative uses for the net proceeds of the Offering, such proceeds may be returned to the Shareholders."

Any delay in the completion of the Acquisition due to delays in obtaining the necessary regulatory approvals or for other reasons, may impact the Enlarged Group's ability to realise the expected benefits and synergies as outlined for the years 2022 – 2025. Please refer to Part I, section 5.2 – "Strategic rationale". In addition, a delay may result in additional costs for the Group and Codan Denmark relating to the obtainment of the necessary regulatory approvals and/or to the satisfaction of other outstanding conditions for the Acquisition. A delay may also prolong the anticipated time frame for the integration process Please refer to "Risk Factors", 1.5 – "The Enlarged Group's management and resources may be diverted away from core business activities due to personnel being required to assist in the integration process."

If the Acquisition does not complete, the Group has nevertheless also incurred, and will incur additional, significant legal, accounting and transaction fees and other costs relating to the Acquisition and the Offering. Although the Company considers the risk that the Acquisition will not complete less likely, any failure to complete the Acquisition may have a material adverse effect on the Group's existing business, financial condition, results of operations and future prospects of the Group (including the Group's ability to successfully compete) and, in the case of a delay, may have a material adverse effect on the Group's cash flows, business, financial condition, results of operations and prospects of the Group or following completion of the Acquisition, the Enlarged Group including delaying the realisation of anticipated synergies, resulting in an adverse effect on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

## **1.2 Regulators or other authorities may seek to impose new or more stringent conditions on the Group or the Enlarged Group prior to approving completion of the Acquisition.**

The Acquisition is subject to a number of regulatory approvals having been obtained from regulators, including the Danish FSA and the Danish Competition and Consumer Authority. These and other regulators may impose unexpected conditions for the completion of the Acquisition, changes to the terms of the Acquisition, or additional requirements, limitations or costs on the business of the Group. As examples, such conditions may relate to conditions for the governance structure of the Enlarged Group or to solvency requirements for the Enlarged Group. In addition, the Danish Competition and Consumer Authority has, the power to demand divestiture of specific customer portfolios or business areas, or to impose specific behavioural commitments or a waiver of certain terms, for example in partnership agreements.

Any such legal or regulatory conditions, changes, requirements, limitations or costs may materially change the economic rationale for the Acquisition, limit the contractual rights of the Group, limit the revenues of the Group or the Enlarged Group, impose additional regulatory capital requirements on the Group or the Enlarged Group, restrict the ability of the Group or the Enlarged Group to generate, distribute or release cash, increase the costs of the Group or the Enlarged Group, reduce the ability of the Group or the Enlarged Group to achieve cost and

capital synergies, and in some cases lead to the abandonment of the Acquisition or otherwise adversely affect the Group's or the Enlarged Group's practices or otherwise adversely affect the business, financial condition, results of operations and prospects of the Group or the Enlarged Group. In addition, any delays in obtaining such regulatory approvals may adversely affect the realisation of anticipated synergies.

Although the Company considers the risk of not obtaining the necessary regulatory approvals less likely any failure or delay in obtaining such regulatory approvals or any such additional requirements, or limitations set by the regulators or any additional costs incurred in this respect, may materially adversely affect the Group's or following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**1.3 The Group has no right to terminate the Acquisition or adjust the purchase price for Codan Denmark if there is a decline in value of Codan Denmark or regulators impose additional requirements on the acquisition affecting value.**

The Group has no right to terminate the Acquisition or adjust the purchase price even in the event of a material adverse change in the value of Codan Denmark or if regulators impose additional requirements, limitations or costs on the business of the Enlarged Group as conditions for providing approval for the Acquisition. In the event that there is an adverse event affecting the value of Codan Denmark, an adverse requirement, limitation or cost is imposed by a regulatory requirement affecting the value of the Acquisition, or the value of Codan Denmark declines for any reason, the Acquisition will nonetheless have to complete and the value of Codan Denmark could be less than the consideration agreed by the Company to pay irrespective of any such value decline. The Group may therefore have to pay as consideration for its interests in Codan Denmark an amount in excess of market value at the time of completion of the Acquisition and such excess may be material, resulting in an adverse effect on the Group's or following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**1.4 The Group's due diligence investigations on Codan Denmark prior to the Acquisition may not have revealed all risks, which, if materialised, may impact the factors considered in attributing value to Codan Denmark or result in unforeseen difficulties and costs in integrating Codan Denmark into the Group.**

Applicable competition law restrictions limited the information that was made available to the Group under the due diligence investigation of Codan Denmark. This consequently limited the Group's ability to perform due diligence on Codan Denmark in relation to competitively sensitive areas of Codan Denmark's business. This increases the risk of unknown risks, and any valuation adjustments and liabilities. Moreover, as a consequence, the Group may encounter integration challenges that it did not foresee when announcing the Acquisition.

Both prior to and following completion of the Acquisition, new issues may be identified, such as material liabilities or risks within Codan Denmark. Such issues may not be covered by the Group's warranty and indemnity insurance, as only losses arising from a breach of the warranties will be covered (subject to the caps and limitations included in the insurance policy), which could have a material adverse effect on the Group's or following completion of the Acquisition,

the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**1.5 The Enlarged Group's management and resources may be diverted away from core business activities due to personnel being required to assist in the integration process.**

The Enlarged Group's management and resources may be diverted away from core business activities due to the integration process which is expected to take approximately four years with expected completion in 2025. Any delays in obtaining the necessary regulatory approvals may prolong the integration process. The integration process will divert the management's time from its other responsibilities which could potentially lead to the interruption of operations of the Enlarged Group or a loss of customers or key personnel, which may affect customer retention and the realisation of anticipated synergies. As certain speciality business lines are dependent on highly specialized business professionals, in areas such as underwriting and claims handling of renewable energy and marine business, actuaries, vital IT-competences, risk engineers etc., who are difficult and/or expensive to replace, a loss of key personnel could impact the Enlarged Group's ability to compete in certain business areas and/or affect the Enlarged Group's existing portfolio business. Loss of key personnel could also lead to reputational damage. Any diversion of the management's time from its other responsibilities because of either the integration process or the Divestment process may have a material adverse effect on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**1.6 The Enlarged Group may fail to realise all or part of the anticipated benefits and synergies of the Acquisition.**

The Enlarged Group may not realise the anticipated benefits and cost synergies of the Acquisition which are to a large extent dependent on the timely and successful integration of Codan Denmark into the Enlarged Group. Completion of the Acquisition is expected to occur during H1 2022. Please refer to Part 1, section 5.2 – "Details of the Acquisition" – "Strategic rationale" for further details on the anticipated benefits and cost synergies.

While the Company believes that it has demonstrated experience in integrating businesses and can draw on its skilled resource pool as a result of its previous integrations of, among others, Saxo Privatbank A/S in 2018 and Trafik G/S in 2017, Codan Denmark is the largest integration of a company in the Group's history and is expected to have a larger degree of complexity due to the size and structure of Codan Denmark.

The integration of Codan Denmark may take longer than anticipated, prove more costly than anticipated, and/or difficulties currently unknown may arise in connection with the integration. The technological infrastructure includes complex computer and data processing insurance platforms, which may prove the integration of Codan Denmark's information technology systems and processes into the Group more difficult than anticipated. Following the carve-out of RSA Scandinavia from the RSA Group, which took place on 1 June 2021, as well as following the Demerger expected to be executed in H1 2022, Codan Denmark is and will be dependent on the RSA Group and Tryg in a number of areas which may prove to be difficult to separate in practice and may thus potentially delay the integration process despite the transitional services



arrangements that have been established. RSA and Codan Forsikring have entered into a transitional service agreement (TSA1) on 1 June 2021 covering these areas, over which the Company has no influence. At the date of the Demerger expected for H1 2022, RSA and Codan Forsikring will transfer TSA1 from Codan Forsikring to Chopin Forsikring, which will be holding Codan Denmark. In addition, a transitional service agreement (TSA2) is expected to be established between Chopin NewCo A/S (now: Chopin Forsikring) on one side and Tryg Forsikring A/S on the other side with effect from the date of the Demerger. For further details about the transitional agreements please refer to Part I, section 21.1.2 – "Material " – "Summary of material contracts relating to the Acquisition" – "Transitional Services Agreements". Any delays or difficulties encountered in connection with the above-mentioned processes or transitional arrangements could adversely affect the integration process and the implementation of the Enlarged Group's plans and may result in the Enlarged Group not realising some of the anticipated benefits and cost synergies of the Acquisition and lead to the integration process proving to be more difficult, time-consuming or expensive than anticipated.

Delays resulting from a delay in the completion of the Acquisition as described in "Risk Factors", 1.1 – "The Acquisition is subject to a number of conditions that remain outstanding at the Prospectus Date, which may not be satisfied or waived or the receipt of which may prevent or delay completion of the Acquisition.", may result in the Enlarged Group encountering difficulties in achieving the anticipated synergies of the Acquisition, which are detailed in this Prospectus in Part I, section 5.2 – "Details of the Acquisition" – "Strategic rationale". In addition, the due diligence conducted on Codan, as described in "Risk Factors", 1.4 – "The Group's due diligence investigations on Codan Denmark prior to the Acquisition may not have revealed all risks, which, if materialised, may impact the factors considered in attributing value to Codan Denmark or result in unforeseen difficulties and costs in integrating Codan Denmark into the Group.", may lead to new issues being identified that may negatively affect the basis for the assessment of the achievable benefits and synergies. Likewise, unexpected loss of key personnel in specialised areas such as underwriting and claims handling of renewable energy and marine business, actuaries, vital IT-competences, risk engineers etc. who are difficult and/or expensive to replace, as described in "Risk Factors", 1.5 – "The Enlarged Group's management and resources may be diverted away from core business activities due to personnel being required to assist in the integration process.", may also negatively affect the basis for the assessment of the achievable benefits and synergies. Finally, any unexpected loss of key partnerships and customers due to the Acquisition or integration challenges, or other undiscovered dis-synergies may impact the realisation of all or part of the expected benefits and synergies of the Acquisition.

While the Company believes that the anticipated benefits and cost synergies of the Acquisition provide a realistic scenario as at the Prospectus Date, there can be no assurance that these anticipated synergies nor the value or timing thereof will be achieved following the Acquisition amongst others for the specific reasons highlighted. Any failure to realise the anticipated benefits and synergies may affect the Company's expectations for return on investment and earnings impact as described in Part 1, section 5.2 – "Strategic rationale" In addition, any failure to realise the anticipated benefits and synergies may have a material adverse effect on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects as well as on the share price of the Company's shares.

**1.7 If the Acquisition does not complete and the Group fails to identify suitable alternative uses for the net proceeds of the Offering, such proceeds may be returned to the Shareholders.**

The Group intends to apply the proceeds of the Offering to fund the consideration for the Acquisition, together with the associated transaction and acquisition costs.

Although the Company assesses the risk of the Acquisition not completing less likely, should it materialise, and should the Group fail to identify suitable alternative uses for the proceeds within a reasonable timeframe, the net proceeds from the Offering may ultimately have to be returned to the Shareholders. If the amounts are returned to Shareholders, this would be expected to result in reputational damage as well as incurred costs for repayment, which is expected to be effectuated either through a dividend payment, a capital reduction, a share buyback or a combination of the three. Returning the net proceeds from the Offering to the Shareholders may result in an adverse effect on the Group's reputation, cash flows, and financial condition.

**1.8 If the Acquisition does not complete and the Group fails to identify suitable alternative uses for the net proceeds of the Offering, and the proceeds are to be returned to the Shareholders, the Company may not be able to return the full proceeds of the Offering to the Shareholders and/or the return of the proceeds may incur costs including tax costs on the Shareholders.**

Statutory restrictions under Danish law such as in relation to regulatory and solvency requirements, the level of reserves available for distribution and the financial and operating performance of the Group, may prevent the Group from returning the full proceeds of the Offering to Shareholders. If the proceeds are returned to Shareholders likely either through a dividend payment, a capital reduction, a share buyback or a combination of the three, this would result in Shareholders incurring costs, including tax costs, in addition to bearing the costs and expenses payable by the Group, which would include the costs and expenses arising from the Acquisition and the Offering. In addition, proceeds from the Offering may be returned to all Shareholders, including Shareholders which have not participated in the Offering. If the Company is not able to return the full proceeds to the Shareholders, who participated in the Offering or if the return incurs costs on the Shareholders this may result in an adverse effect on the Shareholders who participated in the Offering.

**1.9 The Group may realise a loss on its investment in Codan Denmark as Codan Denmark for a limited period of time have to operate on a separate basis under the control of the Seller after the carve-out of RSA's Scandinavian business from RSA on 1 June 2021 and after the contemplated Demerger and until completion of the Acquisition subject to agreed transitional arrangements.**

Following the carve-out of RSA's Scandinavian business from RSA on 1 June 2021, Codan Forsikring, holding Codan Denmark, and following the contemplated Demerger (expected for H1 2022) Chopin Forsikring, holding Codan Denmark, will no longer be able to rely on the wider RSA infrastructure and platforms, including many technological systems thereby having to operate on a separate basis with any support from RSA, and after the Demerger also from Tryg, limited to specifically agreed transitional arrangements covered by TSA1 and, once entered into,

TSA2. Any failure by RSA or Tryg to support Codan Denmark in accordance with the agreed transitional arrangements, or any lack of sufficient remedies under the agreed transitional arrangements or any failure to include necessary transitional arrangements into the agreed arrangements could have a material adverse effect on the business, financial condition, results of operations and prospects of Codan Denmark and as a consequence hereof a material adverse effect on the value of the Group's investment in Codan Denmark.

A loss or diminishment of the Group's investment in Codan Denmark would have a material adverse effect on the Group's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations, reputation and prospects.

#### **1.10 The Group may be exposed to compulsory demerger liability arising from the Demerger.**

Under Danish law, where a creditor of a limited liability company participating in a demerger is not paid, each of the other participating limited liability companies are jointly and severally liable for the actual and contingent obligations existing at the date of publication of the demerger plan, subject, however, to a maximum amount equal to the net value contributed to that company (compulsory demerger liability). Accordingly, there is a risk that Chopin Forsikring will be held liable for claims raised against Codan Forsikring or Tryg related to the business received as part of the Demerger. Likewise, Tryg has a risk of being held liable for claims raised against the contributing company or Chopin Forsikring related to the business received as a part of the Demerger.

The demerger liability is secondary in the way that Chopin Forsikring or Tryg will not be liable unless a creditor has unsuccessfully made a claim against Chopin Forsikring or Tryg respectively. The risk of statutory demerger liabilities materialising will persist until a claim becomes statute barred. Under Danish law, this would generally be after three years with potential for suspension up to a maximum of ten years. In relation to claims that are not known by the creditors, however, it could under special circumstances be up to 30 years, depending on the merits of the claim.

The demerger liability is governed by a Demerger Agreement that contains an indemnification from Tryg Forsikring A/S against Chopin Forsikring and vice versa if the demerger liability relates to the part of the demerged business which Tryg or Chopin Forsikring receives in connection with the Demerger. Hence, the actual risk related to the demerger liability is concentrated on claims against the contributing company, e.g., potential tax claims.

#### **1.11 The Group will have no influence on the process or the execution of the Demerger.**

The Group will have no influence on the Demerger process setting out the terms and timing of the Demerger as well defining the ultimate split of the business of Codan Forsikring into Codan Norway and Trygg-Hansa to be transferred to Tryg, and Codan Denmark to be transferred to Chopin Forsikring respectively. The Company is not a party to the Demerger Agreement, which together with the Separation Agreement will set out the terms and principles for the Demerger and will only be entitled to review and to be consulted on on-going development, the drafting and the negotiations between Tryg and Intact in respect of the Demerger Plan, the Demerger

Agreement and the Demerger Balance Sheet. Any delays, inaccuracies, inconsistencies, mistakes, or unfavorable scoping of the Codan DK Business to be transferred to Chopin Forsikring as the Target may have a material adverse effect on the Group's and, following completion of the Acquisition, the Enlarged Group's anticipated synergies related to the acquisition.

**1.12 The Group will have no ability to control Codan Denmark prior to completion of the Acquisition.**

The Seller will have full control over Chopin Forsikring and Codan Denmark until completion of the Acquisition and will be in charge of leading the process for fulfilling certain of the conditions, including the seeking of certain of the required approvals, in particular in relation to completion of the Demerger and completion of the Reorganisation. Any failure, including failure to comply with regulation and/or breach of contractual obligations, or delay hereof may result in delays in the Acquisition (including any realisation of synergies), adverse impact and/or lead to the abandonment of the Acquisition.

In addition, the Seller will ultimately continue to have the overall responsibility for the governance and prudent operation of the whole of Chopin Forsikring and Codan Denmark, until completion of the Acquisition. The Seller is not contractually obliged to procure that the Company will have any operational control or influence over Chopin Forsikring and Codan Denmark and/or that decisions of the Company in respect thereof are implemented.

The terms and duration of the period of ownership by the Seller until completion of the Acquisition could result in a diminishment in the value of Codan Denmark. This may occur through, for example, losses of key employees or poor financial performance of Codan Denmark in the period up until the completion of the Acquisition or for other reasons, all of which may have a material adverse effect on Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's anticipated synergies related to the acquisition, cash flows, business, financial condition, results of operations and prospects.

**2. RISKS RELATING TO THE BUSINESS AND INDUSTRIES IN WHICH THE GROUP AND CODAN DENMARK OPERATE AND IN WHICH THE ENLARGED GROUP WILL OPERATE**

**2.1 The frequency and severity of claims incurred by the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are affected by the incidence of adverse and extreme weather events and climate change and such factors may accordingly adversely affect their cash flows, business, financial condition, results of operations and prospects.**

The frequency and severity of claims incurred by the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are affected by the incidence of adverse and extreme weather events and climate change. Severe weather events such as rainstorms, windstorms, snowstorms, severe winter weather, hailstorms, floods, and fires, all of which may be exacerbated by the increasing effects of climate change, may cause significant damage to insured homes and commercial property, particularly in heavily populated areas where there is a commensurate concentration of risk.

The frequency and severity of extreme weather events, including those related to climate change, are subject to long-term external influences. Climate change impacts disaster risk through the likely increase in extreme weather events. Thus, climate change could result in a higher level of weather claims, which would in turn lead to increases in reinsurance costs and prices for impacted insurance products, including home and contents and building insurance products. The impact of long-term external influences such as climate change should be considered in assessing the Group's results for any given period.

The Group and Codan Denmark are focused on identifying tendencies towards increased weather-related claims over a period of years due to climate changes. This analysis is complicated and required to be conducted over a period of time. Accordingly, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group may not have sufficiently accounted for extreme weather events hereunder as a consequence of a potential increased likelihood of extreme weather events due to climate changes. However, if an extreme weather event occurs, or occurs with a higher frequency than expected, and the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, have not sufficiently accounted for this, it will be likely to have a substantially adverse effect on their cash flows, business, financial condition, results of operations and prospects.

As an example, harsh winters result in higher levels of claims due to auto accidents and broken pipes from cold weather, as harsh winters leads to poorer conditions for motorists, which increases the risk of car damage and accidents as well as cold weather can cause water in pipes to freeze to such an extent that the pipes cannot withstand the pressure.

Although the Company deems that there is a limited risk that adverse and extreme weather events and climate changes will impact the Group in a manner not already accounted for by the Group, such events and changes, which are outside the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's control can, if materialized, lead to increased claims expenses which are not taken into account in the risk assessment that lies behind the insurance premium determination and risk management and may accordingly adversely affect their and the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

- 2.2 Competition in the market for general non-life and life insurance may adversely impact the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group if they fail to keep pace with changes in the industry, including new challenges presented by traditional and non-traditional competitors, hereunder multi-national insurance companies and other companies, or fail to continue to provide attractive and innovative products and services, use of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's products and services could decline and may thereby adversely affect their cash flows, business, financial condition, results of operations and prospects.**

The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's prospects depend on a continued increase in demand for the products and services offered and the ability to focus on new customer segments, roll-out of adjacent product categories, as well as on continued positive economic development in Denmark. If the market lacks

growth or if there is a general decline in conventional insurance products and demand for the products of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, it will be difficult to further develop the customer base or be able to focus on new customer segments and adjacent product categories as expected, which may have a material adverse effect on the cash flows, business, financial condition, results of operations and prospects.

The market in which the Group and Codan Denmark operate and, following completion of the Acquisition, the Enlarged Group will operate, is highly competitive with a number of existing small, medium and large competitors and potentially new entrant competitors. Certain of the Group's and Codan Denmark's current competitors have been reorganising and/or consolidating which has led to increased financial capacity of such competitors to invest in new products and solutions. Accordingly, the market is characterised by rapid and significant technological change, new product and service introductions, changing customer needs and preferences and the entrance of non-traditional competitors, and this is likely to continue or even increase in the coming years. In order to remain competitive, the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group will need to anticipate and respond to these changes, which require continued investment in, and time spent on, innovation and research and development.

If the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group fail to identify and keep pace with these changes or to continue to develop and introduce attractive and innovative products and services, the use of their products and services could decline, but the Group expects the probability for such failure to be limited. For example, advancements in technology facilitating self-driving cars could potentially reduce the number of car accidents altering the motor insurance industry. Any lack of, or delay in, offering new products and services, or failure to differentiate the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's products and services or accurately predict and address market trends and demand, could render their products and services less desirable to their customers or even obsolete, which, in turn, could have a material adverse effect on their cash flows, business, financial condition, results of operations and prospects.

In order to service its large corporate customer segment, Codan Denmark must be able to service and support multinational companies with interests outside Denmark with local policies. In territories where it is not possible to issue a Freedom of Service (FOS) policy, Codan Denmark is relying on the support of the RSA Global Network, who will arrange for a local policy to be issued and reinsured back to Codan Denmark. It could have a material adverse effect on its results of operations and future prospects should Codan Denmark no longer be able to service the multinational customer segment.

Moreover, the projects that the Group and Codan Denmark have undertaken and, following completion of the Acquisition, the Enlarged Group will undertake, in order to enhance its technological solutions and respond to evolving market trends require significant investments, may prove to be unsuccessful or insufficient. Further, there can be no assurances that the trends, products or services which such enhancements are designed to address will develop as expected or that these undertakings will be successful. If the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group invests in acquisitions and/or research and

development to target new products, services and solutions for markets or trends that do not develop as anticipated or at all, the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group could have difficulty recovering the costs that it has incurred in relation to any acquisitions or in researching and developing these new products, services and solutions and, to the extent that such investments have been capitalised, incur significant write-offs, all of which may, if materialised, have a material adverse effect on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**2.3 The Group's and Codan Denmark's prospects depend and, following completion of the Acquisition, the Enlarged Group's prospects will depend on customer retention and a continued increase in demand for the products and services offered, the ability to focus on new customer segments, roll-out of adjacent product categories and the economic development in Denmark.**

As part of the integration of Codan Denmark into the Group, large implementation programmes will be initiated. Such programmes are expected to include IT integration programmes and programmes related to the integration of the administration and claims handling which are designed to realise the anticipated synergies and ensure an optimal integration of Codan Denmark into the Enlarged Group. Generally, large-scale IT projects and other development projects could face various difficulties resulting in increased costs and resources required for the implementation of the IT projects, see also "Risk Factors", 2.10 – "The Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may experience unexpected delays or costs in connection with existing or future IT projects.". If such difficulties arise as a consequence of the integration, this may negatively impact the Enlarged Group's customer retention and ability to focus on new customer segments and roll-out of adjacent product categories, which may impact the demand for the Enlarged Group's products and services.

The Danish insurance market is mature and thus growth is incremental. If the market lacks growth or if there is a general decline in conventional insurance products and demand for the Group's, Codan Denmark's or, following completion of the Acquisition, the Enlarged Group's products does not increase, it will not be able to retain its customers and/or develop its customer base or be able to focus on new customer segments and adjacent product categories as expected, which may have a material adverse effect on its cash flows, business, financial condition, results of operations and prospects.

The success of certain limited non-life insurance products that are less resilient to an economic downturn than other non-life insurance products is closely tied to the general economic development in Denmark. The Danish economy experienced negative growth in 2020. However, the Danish Central Bank expects a GDP growth in Denmark of 3.3% in 2021 compared to 2020. The Danish non-life insurance market has experienced limited growth and is expected to continue to experience only limited growth, as the market has a high penetration. Furthermore, the market is experiencing decreasing premiums for employee and private insurance products, which puts further limitations on growth.

Specific segments of Codan Denmark's business are dependent on international development. Specific lines of Codan Denmark's business within the commercial segment that are more international focused are dependent on continued increase in demand internationally. This is particularly true for the business area renewable energy. Continuous market demand and investor appetite to provide investments into these segments are accordingly key and the lack hereof may affect the cash flows, business, financial condition, results of operations and prospects of Codan Denmark.

Although the Group has not experienced such impacts in the past, negative developments in, or the general weakness of, the Danish economy may have a negative impact on the spending patterns of existing or potential customers and the willingness of such customers to make investments or sign up for their services and products. A weakening economy may also lead to a higher number of missed premium payments and the cancellation of policies. Therefore, a negative economic development in Denmark could have adverse effect on the Danish non-life insurance market and thereby on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**2.4 The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are dependent on strategic partnerships and brokers to distribute their products. A loss of business provided by such strategic partners and brokers could have a material adverse effect on the Enlarged Group's assets, strategic position, result of operation and forecasts which may impact its cash flows, business, financial condition, results of operations and prospects.**

Strategic partnerships are fundamental to the Group's and Codan Denmark's distribution of their products and will, following completion of the Acquisition, be fundamental to the Enlarged Group's distribution of its products. The Group has entered into strategic partnerships with Volkswagen Semler Finans Danmark A/S and Sydbank A/S for distribution of the Group's products. In 2020, 2.2% of the Group's non-life and life insurance products were distributed by strategic partners and the Management expects and forecasts this share to increase significantly in the coming years.

Similarly, a key distribution channel for Codan Denmark in the market for private insurance is strategic partnership agreements. Approximately 37% of Codan Denmark's private segment's sales in 2020 (based on new business) were generated through its exclusive bancassurance partnerships which provide Codan Denmark with a significant network of approximately 25% of banking customers in Denmark. Furthermore, partnerships provide point-of-contact across various age groups in Denmark. For example, Codan Denmark has access to a network of over 900,000 elderly customers through a partnership with Ældre Sagen and to a cohort of students and employed high earners through a partnership with Djøf. In addition, in Codan Denmark's commercial segment, insurance brokers form an important distribution channel.

Such partners are distributing the Group's and Codan Denmark's products to potential new customers. It is the Group's and Codan Denmark's ambition, and it will be the Enlarged Group's ambition, following completion of the Acquisition, to continue growing strategic partnerships to



increase the partners' distribution of products and to ensure that the Enlarged Group through such partnerships is able to differentiate itself from its competitors.

In addition to such strategic partnerships, the Group and Codan Denmark have entered into agreements with a number of insurance intermediaries and brokers which are also distributing the Group's and Codan Denmark's products to existing and potentially new customers. Further, Codan Denmark also uses a global network of insurers to operate international insurance programmes where local insurance partnerships are needed for operational or compliance purposes. The network has been utilized for many years and following the ownership changes, Codan Denmark's status in the network has changed from an internal user to an external strategic network partner which will result in higher requirements for participation. If the Enlarged Group does not have access to the network subsequent to the Acquisition, the Enlarged Group will need to find alternative local insurance providers in the relevant countries. This may extend the renewal process for the customers insurance policies and could potentially result in loss of customers and imply costs or loss of revenue. This may increase the risk of not being able to meet the requirements of participating in the global network of insurers. If such risk materialises, it may impact Codan Denmark's cash flows, business, financial condition, results of operations and prospects.

Accordingly, the Group and Codan Denmark are, and following completion of the Acquisition, the Enlarged Group will be, dependent on such strategic partnerships to ensure continued and increased distribution of products. While the agreements for strategic partnerships and distribution vary in form and content, with some being pure referral agreements, not all strategic partners, insurance intermediaries and independent brokers are committed to recommend or sell the Group's or Codan Denmark's products. As such, insurance intermediaries and brokers may in some cases represent more than one insurance company, including direct competitors, and therefore the Enlarged Group will face competition within such insurance intermediaries and brokerages. The parties to the cooperation agreement between Codan Forsikring, Privatsikring, Nykredit Realkredit A/S and other parties have in certain circumstances and subject to certain conditions such as, but not limited to, change of control provisions certain rights which, if materialised, could have a material adverse effect on the Group's and, after completion of the Acquisition, the Enlarged Group's assets, value and results of operations and future prospects hereof.

Entering into and maintaining strategic partnerships may require substantial development efforts and may also imply a change in, among others, risk profile, underwriting results, capital needs and internal governance requirements which may have a material adverse effect on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

Partnerships may affect the perception and accordingly the value of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's brand and other intangible property rights. If the partnerships or the partners do not perform well and provide the customers with a sound customer experience, including regulatory compliant and service oriented claims handlings, this may materially negatively affect the customers' perception of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's brand and other intangible property rights and accordingly negatively affect especially their assets, strategic position, results of operations and forecasts.

**2.5 Failure in the Group's, Codan Denmark's and/or, following completion of the Acquisition, the Enlarged Group's own or outsourced information technology systems, including as a result of cybercrime or information security weaknesses, and poor data quality could lead to a breach of regulations and contractual obligations and have a material adverse effect on their reputation, cash flows, business, financial condition, results of operations and prospects.**

The Group's and Codan Denmark's technological infrastructure is critical to the operations of their respective businesses and delivery of products and services to clients. Even with the back-up recovery systems and contingency plans that are in place, the Group and Codan Denmark cannot assure and, following completion of the Acquisition, the Enlarged Group will be unable to assure that interruptions, failures or breaches in capacity, security or data (including use of corrupt data) of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. This also includes the intentional or unintentional release of proprietary information about the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, their clients or their employees. Such leaked information may be used against their interests, their clients or their employees, including in litigation and arbitration proceedings.

Following completion of the Acquisition, Codan Denmark's IT systems and data are planned to be integrated into the Group's current IT systems which imply an elevated risk of failures, losses and/or break downs in the Enlarged Group's IT systems, data and operations. See also "Risk Factors", 2.10 – "The Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may experience unexpected delays or costs in connection with existing or future IT projects" for further information on risks associated with large IT projects.

The Group and Codan Denmark rely on their operational processes and communication and information systems to conduct their business, including pricing of their products, their underwriting liabilities, the required level of provisions and the acceptable level of risk exposure and to maintain accurate records, customer services and compliance with their reporting obligations. The Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group are also dependent on third-party providers of administration and IT services and other back-office functions. In addition, even though back-up and recovery systems and contingency plans are in place and legacy removal and upgrading (quality improvement) of their systems are in progress to update systems and infrastructure, it is still possible that interruptions, failures with conversions, failures or breaches in security of these processes and systems will occur and, if they do occur, that they may not be adequately addressed.

Further, the Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will be dependent on valid and complete data for a number of purposes, including calculation of underwriting risks. If the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group fail to gather, store and utilise data, the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group may not be able to perform calculations on (among others) such risks. None- or miscalculation of such risks may have a negative impact on the Group's, Codan Denmark's or, following completion of the Acquisition, the Enlarged Group's financial position.

Poor data quality, including mismanagement of data, may lead to non-decisive management decisions due to poor or lack of management information relating to both data quality and data analysis. Similarly, it may lead to business inefficiency, complexity and overspend on compensating and fixing errors due to improper data governance.

Any interruption in the Group's or Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's ability to rely on its internal or outsourced IT services or deterioration in the performance of these services could impair the timing and quality of the Enlarged Group's services to its customers and result in loss of customers, inefficient or detrimental transaction processing and regulatory non-compliance, all of which could also damage the Enlarged Group's brands, reputation and have a material adverse effect on its cash flows, business, financial condition, results of operations and prospects.

Failure in the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's own or outsourced information technology systems, including as a result of cybercrime or information security weaknesses, and/or poor data quality, all of which could lead to a breach of regulations and contractual obligations and have a material adverse effect on their reputation, cash flows, business, financial condition, results of operations and prospects.

**2.6 Cyber-crime has the potential to significantly compromise the confidentiality, integrity and availability of information systems and business data, and the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may not be able to protect itself against threats hereof.**

As providers of non-life and life insurance, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are dependent on the possession of a large amount of customer information and data, including usernames, administrative codes and personal details. The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group may not be able to fully protect themselves against threats of cyber-crime and may incur substantial losses if their information systems are compromised.

The scope of cyber-attacks has in recent years developed such that cyber-attacks now occur on a frequent basis and the risk of being subject to cyber-attacks are high. While the vast majority of these attacks do not reach a level of sophistication that could pose a threat to the Group or Codan Denmark, and, following completion of the Acquisition, the Enlarged Group, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group may not be able to stop cyber-attacks despite efforts to continually monitor and assess their security organisation in terms of resources and service offerings. Cyber risk exposure may also increase as a result of complications stemming from the migration of data from Codan Denmark onto the Group IT infrastructure. Disruptive cyber-attacks could result in temporary shut-down of IT-systems and result in substantial losses. For the integration process between the Group and Codan Denmark, the Enlarged Group will be subject to increased cyber risks due to the number of changes when migrating platforms and the many human changes in a business merger.

There can be no assurance that IT security incidents or breaches will not occur in the future, or that future security incidents, breaches and other issues will not have a material impact on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's

business or that their procedures will be sufficient to address such future IT security incidents, breaches and other issues. Further, cyber risks are exacerbated by the age and complexity of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's technology and network architecture. The occurrence of any cyber threats, such as the theft or unauthorised use or publication of their confidential information or other proprietary business information as a result of an IT security incident, could expose them to liability, adversely affect their competitive position and reputation, and reduce marketplace acceptance of their insurance products, whether or not the incident is ultimately determined to be their fault. Consequently, if the Group's, Codan Denmark's or, following completion of the Acquisition, the Enlarged Group's IT systems are compromised, this could have a material adverse effect on their business, financial conditions, results of operations and prospects.

Accordingly, cyber-crime has the potential to significantly compromise the confidentiality, integrity and availability of information systems and business data, and the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may not be able to protect itself against threats hereof.

**2.7 The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's underwriting assumptions and pricing may accept excessive risks, misprice the risks that they assume and inadequately reflect risk exposure or cover claims, including due to an inadequate analysis of the underwriting risks, all of which could result in significant underwriting losses.**

The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's results will depend to a significant extent on whether their claims experience is consistent with the assumptions they use in underwriting, setting the prices for their products and establishing the liabilities for their obligations for future claims. To the extent that their actual claims experience is less favourable than the underlying assumptions they use in establishing such liabilities, they could be required to increase the reserves made for their liabilities, which could result in losses.

Due to the nature of the risks the Group and Codan Denmark incur and of the risks the Enlarged Group, following completion of the Acquisition, will incur in underwriting insurance, they cannot determine precisely the amounts that they will ultimately pay to meet such liabilities covered by the insurance policies written. Their respective claims reserves may prove to be inadequate to cover the actual claims, particularly when payments of claims may not occur until well into the future. The Group and Codan Denmark maintain and, following completion of the Acquisition, the Enlarged Group will maintain claims reserves to cover their estimated ultimate liability for claims and claims adjustment expenses. Such reserves are maintained also for claims which are estimated to be made but have not been made yet (so-called incurred but not reported (IBNR) claims). Accordingly, claims reserves represent estimates of the ultimate cost, including related expenses, to bring all pending and incurred but not reported claims to final settlement. These estimates are based on data and actuarial and statistical projections and assumptions. The estimates are also based on other variable factors, including changes in the legal and regulatory environment and general economic conditions.

Further, the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group are dependent on data and internal mathematical models which are complex and increasingly make use of sophisticated computational tools to set claims reserves and price their products. Should these data or models not be accurate, or should the implementation of these models be erroneous, there is a risk that the pricing of products or the reserving for future claims payments may be incorrect for a period.

Following completion of the Acquisition, the Enlarged Group's earnings will depend significantly upon the extent to which its actual claims experience is consistent with the projections and the assumptions it uses in setting claims reserves and subsequent premium levels. In addition, any changes in actuarial assumptions may lead to changes in the level of regulatory capital required.

Changes in the claims experiences and actuarial assumptions or other variable factors, including changes in legislation, could result in claims in excess of the Group's, Codan Denmark's or, following completion of the Acquisition, the Enlarged Group's claims reserves. Significant negative developments may require them to increase their reserves with a corresponding reduction of their net income in the period in which the deficiency is identified. For long-tail claims which carry a long settlement period and include mainly motor insurance, personal accident, disease, workers' compensation and child insurance, it has been necessary for the Group and Codan Denmark, and may, following completion of the Acquisition, continue to be necessary for the Enlarged Group, to revise estimated potential claims exposure and, therefore, related claims reserves. Macroeconomic conditions can also impact estimates for claims reserves. The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's underwriting assumptions and pricing may accept excessive risks, misprice the risks that they assume and inadequately reflect risk exposure or cover claims due to falling interest rates. Consequently, actual claims and related expenses paid may differ from estimates reflected in the claims reserves in the financial statements, although prices may be adjusted to minimise any differences. To the extent the Enlarged Group's current claims reserves are insufficient to cover actual claims, it would have to increase its claims reserves and incur a corresponding charge to its earnings. In addition, if the Enlarged Group's claims reserves would be excessive because of an over-estimation of risk, it may set premiums at levels too high for it to be able to compete effectively, which may result in a loss of customers and premium income and could have a material adverse effect on the Enlarged Group's future financial condition, results of operations and cash flows.

Parts of Codan Denmark's commercial segment business are, by the nature of the risks, exposed to low frequency high severity claims that may take time to emerge. This is particularly the case for some aspects of "technical lines". Recent experience has seen higher large losses than previous experience would suggest. The Enlarged Group is dependent on retaining its employees with contact to tech line suppliers and customers. If, such employees are not retained, the Enlarged Group may not be able to fully serve its customers or attract new customers, which may affect the cash flow, business and result of operation.

Alm. Brand Liv og Pension provides insurance based on information of the insured in accordance with industry standards. However, in some situations Alm. Brand Liv og Pension requires additional information about the potentially insured person before accepting to provide insur-

ance cover. Effective from 1 November 2019, Alm. Brand Liv og Pension 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. Especially in relation to this, there is an increased risk of providing insurance where the risk of payment of insurance cover is not fully reflected in the price of the insurance, or that Alm. Brand Liv og Pension enters into insurance agreements where such risks exceed Alm. Brand Liv og Pension's risk tolerance due to a reduced analysis of the underwriting risks.

Accordingly, although the Company considers the probability of this risk materialising less likely, underwriting assumptions and pricing may accept excessive risks, misprice the risks that they assume and inadequately reflect risk exposure or cover claims, including due to an inadequate analysis of the underwriting risks, all of which, if materialised, may result in significant underwriting losses.

**2.8 The Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may be exposed to failures in underwriting, operating controls or risk management systems that could increase claims incidence and force premiums to be raised or cause claims reserves to be insufficient or have other material adverse effects on their business.**

In case of any mismanagement, fraud or failure to satisfy fiduciary responsibilities, to comply with underwriting guidelines and authorisation limits, to comply with applicable anti-money laundering and other similar rules and requirements, the negative publicity resulting from these activities or the accusation by a third party of such activities, could have a material adverse effect on the Group's and on Codan Denmark's businesses, and following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects. If the Enlarged Group's underwriting guidelines or internal controls are ineffective or if its employees do not properly follow those guidelines, the Enlarged Group may not have proper reserves for claims attributable to the relevant product line, it may not be able to adjust its prices accordingly and/or its risk appetite may be incorrectly set. For example, the Group and Codan Denmark may have agreed to provide insurance cover or pay out an insurance amount due to a human error but where the error has not been reported internally to the management. The Enlarged Group may be at risk both from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased and from employees who undertake, or fail to follow procedures designed to prevent, fraudulent activities.

When concluding major insurance policies, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group estimates the expected maximum loss ("EML") that may be made under the insurance policy. The EML is protected by reinsurance. If the EML exceeds the respective Reinsurance Treaty limit, facultative reinsurance is taken out on the insurance policy in question. A substantial error in the assessment of the EML may accordingly imply that the actual damage becomes greater than the assessed EML. In these cases, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group itself

will retain the part of the damage that exceeds the reinsurance cover. Similarly, if the reinsurance cover is taken out later than taking on the insurance risk, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group bears the insurance risk until reinsurance has been taken out. An insurance event in this period will result in a loss for the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, which is not, or is not fully, covered by reinsurance. Any such, or similar, events can have a significant negative impact on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's business, operating profit, financial position and future prospects.

Similarly, the Group and Codan Denmark uses, and, following completion of the Acquisition, the Enlarged Group will use, derivatives to hedge against certain market risks e.g., interest rate risk, inflation risk and FX risk. The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group will be, dependent on third parties for the daily calculation of the market values of its derivative collateral under such derivative agreements. If use of derivatives is inadequate or ineffective or if these third parties (mostly large banks) miscalculate the collateral required and the counterparty fails to fulfil its obligations under the derivative, it could result in unexpected losses, which could have a material adverse effect on the cash flows, business, financial condition, results of operations and prospects of the Group and, following completion of the Acquisition, the Enlarged Group. See also "Risk Factors", 3.1 – "The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's prospective financial information, ambitions and targets included in this Prospectus may differ materially from its actual results and investors should not place undue reliance on it" for the counterparty risks associated with use of the derivatives.

**2.9 Any decrease in the availability and amount of reinsurance, increases in the cost of reinsurance and/or the inability or refusal of reinsurers to meet their financial obligations could materially adversely affect the results of operations and financial position of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group.**

An important element of the Group's and Codan Denmark's, and, following completion of the Acquisition, the Enlarged Group's risk management strategy is to purchase reinsurance, thereby transferring parts of the risk they underwrite to reinsurers. Under a reinsurance contract, the assuming reinsurer becomes liable to the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group to the extent of the risk ceded although the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group remains liable to the insured as the insurers. For further information about the Group's use of reinsurance, please see Part I, section 6 – "Business overview of the Group" and for further information about Codan Denmark's use of reinsurance, please see Part I, section 7.11 – "Business overview of Codan Denmark" – "Reinsurance".

The Group has a reinsurance programme in place which ensures that a single loss occurrence or a random accumulation of larger claims do not result in an unacceptable loss of capital relative to the Group's risk appetite.

The Group's reinsurance programme provides both a large and a wide coverage. The programme consists of 12 coverages covering, among others, claims related to catastrophe, frequency (such as fire, windstorms and rainfall), workers' compensation, personal accidental, liability, travel and cyber. The largest obtained reinsurance coverage in a programme is the catastrophe programme covering up to DKK 4.3 billion with a retention of DKK 75 million.

In addition to the above, the Group uses facultative coverage of risks exceeding the reinsurance contracts' capacity and/or if the conditions exceed the reinsurance contracts' coverage. 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.

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 Forsikring A/S 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.

For 2021 the reinsurance programme for Codan Denmark comprises of cover for all major lines of business from excess of loss (XOL) per risk covers for property and engineering with a retention of DKK 100 million over per risk/per event covers for renewable energy with a retention of USD 22.5 million and a catastrophe programme starting at GBP 25 million for non-North American (CAD 75 million for North American) losses and covering up to GBP 1.325 billion.

The retention for personal accident and workers' compensation for the Group is DKK 100 million, whereas the casualty exposures are covered after DKK 25 million.

Facultative protection will be bought should capacity over and above the treaty capacity be needed or if the cover granted on the policy is broader than the one in the treaties.

Although reinsurance does not discharge the Group or Codan Denmark and, following completion of the Acquisition, will not discharge the Enlarged Group from its primary obligation to pay under an insurance policy for losses incurred, reinsurance will make the reinsurer liable for the reinsured portion of the risks. Consequently, the Enlarged Group will be subject to credit risk with respect to its current and future reinsurers. The insolvency of any reinsurers, their inability or refusal to pay claims under the terms of any of their agreements with the Enlarged Group or any uncertainty or dispute regarding the interpretation thereof could have a material adverse effect on the Enlarged Group's financial condition and/or results of operations.

There is also a possibility that the Enlarged Group may be unable to renew reinsurance agreements at rates equivalent to those of its existing cover and there is the possibility that cover may not be available at all. Reinsurance may also be diminished or removed altogether.

Purchase of reinsurance and the price for reinsurance is to some extent dependent on personal relations and the reinsurers knowledge of the insurance company in question. Accordingly, the Group, Codan Denmark and, following completion of the Acquisition the Enlarged Group is dependent on retaining its employees with contact to reinsurers. If all or most of such employees



cease to be employees of the Group, Codan Denmark and, following completion of the Acquisition the Enlarged Group, the Group, Codan Denmark and, following completion of the Acquisition the Enlarged Group risks not being able to purchase reinsurance or that the price of reinsurance increases.

If there is a failure in the process of taking out reinsurance, including as a consequence of a human or operational failure, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group may not have taken out the reinsurance cover which is otherwise expected. In this case new or additional reinsurance may not be taken out to a sufficient level or may need to be taken out at a higher price, whereby the insurance risk is not sufficiently mitigated, or the Group may suffer a loss.

Reinsurance against communicable diseases, including pandemics, has limited availability and in the event of future pandemics, such reinsurance may cease to be available altogether. The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group therefore faces the risk that some aspects of its reinsurance cover may be more expensive or even unavailable in the market at all or for certain periods, which may have a corresponding adverse effect on the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group although it may accordingly reduce its direct underwriting for the cover in question thereby reducing risk exposure.

Although the Company sees a limited probability of a decrease in the availability and amount of reinsurance, increases in the cost of reinsurance and/or the inability or refusal of reinsurers to meet their financial obligations, if materialised, could materially adversely affect the results of operations and financial position of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group.

**2.10 The Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may experience unexpected delays or costs in connection with existing or future IT projects.**

The Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group may experience unexpected delays or costs because of their undertaking of large-scale information technology projects. For example, the Group is currently in the process of moving all its systems to a cloud-only setup. Similarly, the integration of Codan Denmark's IT system into the Group's IT systems will entail substantial work efforts and imply risk of failures and break downs which may impact the possibilities of carrying out business and servicing customers. Also, the development of IT solutions to support the development of the partnerships requires substantial work efforts and implies substantial costs and risks, which may prove to be larger than anticipated.

The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group will from time to time be updating their IT systems. While these upgrades are planned and usual, there is an elevated probability of delays due to complications in their implementation resulting in delayed use of the systems and/or unexpected costs for the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, which may negatively impact their operations and result in increased costs or losses.

Generally, large-scale IT projects and other development projects face various difficulties resulting in increased costs and resources required for the implementation of the IT projects. Accordingly, the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group may similarly risk incurring additional costs related to existing or future IT projects.

**2.11 Integrating Codan Denmark into the Group will increase the complexity of the Group due to the increased size and the integration of Codan Denmark's processes, products and systems, whereby the risks or failures, errors and mistakes increases potentially resulting in costs or losses.**

Following completion of the Acquisition, Codan Denmark's processes, products and systems will be integrated into the Group's business thus creating the Enlarged Group. This may result in more complex structures, processes, systems and products compared to before the Acquisition including in some case more complex products than previously provided by the Group.

Increased complexity generally increases the risks of failures or mismanagement whereby the risks of losses or loss of revenue increases.

In addition, the Enlarged Group will, following completion of the Acquisition, be substantially larger than the Group prior to completion of the Acquisition. The increase in size may reduce the management's overview of and insight into the business of the Enlarged Group.

Though both the Group and Codan Denmark are Danish insurance companies, there may be differences in the company culture and the core values of the two companies. Integration and alignment of the company culture and core values in the Enlarged Group may take several years. Until then, differences in culture and core values may increase the risks of failures and mismanagement due to misunderstandings, unfunctional processes or ineffectiveness. Further, if integration is delayed or otherwise not successful, the Enlarged Group is unlikely to achieve the anticipated synergies from the Acquisition. Such failures and mismanagement may adversely affect the results of the operations and the financial position of the Enlarged Group.

Similarly, if the Divestment completes, the carve-out of Alm. Brand Liv og Pension from the Group is expected to require resources and implies a risk of failures in the operations, IT systems and processes of the Group and/or, following completion of the Acquisition, the Enlarged Group, which may adversely affect the results of the operations and the financial position of the Enlarged Group.

**2.12 If the Enlarged Group is unable to successfully implement its strategic initiatives, or if the strategic initiatives do not yield the anticipated benefits, this may have a material adverse effect on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects and the projected financial information included in this Prospectus may differ materially from the Enlarged Group's actual results.**

The management and employees of the Enlarged Group will execute on its strategic initiatives in order to realise anticipated synergies from the Acquisition, see Part I, section 5.2 – "Details of the Acquisition" – "Strategic rationale". These synergies depend to a large extent on the

successful integration of Codan Denmark into the Enlarged Group, see also "Risk Factors", 1.6 – "The Enlarged Group may fail to realise all or part of the expected benefits and synergies of the Acquisition."

There can be no assurance that the management will be able to implement such initiatives or that it can do so to the extent necessary or within the required time frame as issues may arise and integration may be more complicated than assumed at the outset. Completion of the Enlarged Group's strategic initiatives is furthermore subject to a number of external factors, including market conditions and the Enlarged Group's ability to attract new and retain existing customers, see also "Risk Factors", 2.3 – "The Group's and Codan Denmark's prospects depend and, following completion of the Acquisition, the Enlarged Group's prospects will depend on customer retention and a continued increase in demand for the products and services offered, the ability to focus on new customer segments, roll-out of adjacent product categories and the economic development in Denmark." . As part of this, the Enlarged Group risks losing customers and market shares if the Enlarged Group is not able to execute on a strong customer retention strategy. Similarly, implementation of a strategy may imply a change in risk profile, underwriting results, capital needs and internal governance requirements which may imply extended risks. If the above-mentioned risks materialise, the Group may not be able to, among others:

- leverage investments on a bigger scale leading to more attractive return on investment;
- pursue ambitious research and development projects leveraging costs on a bigger scale with shorter payback time;
- utilize a larger pool of data to improve its product offering and lower potential claims;
- improve talent attraction leading to smarter solutions and better services;
- unify stakeholder objectives through its improved platform, leveraging economies of scale to improve customer solutions and services; and
- over time generate net revenue synergies from cross-selling and other initiatives.

Completion of the Divestment is subject to approval by the Danish FSA and certain other conditions having been met. If the Danish FSA does not provide the required approval and the applicable conditions are not being met or waived, the Divestment may not be completed. In such case, the Company may need to finance the Acquisition through other means.

Accordingly, failure by management to complete the strategic initiatives to the necessary extent may have a material adverse impact on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**2.13 The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are vulnerable to adverse market perception arising as a result of reputational damage, especially as they operate in a highly regulated industry.**

The foundation for the Group's and Codan Denmark's business is a high level of integrity and trust with their customers and stakeholders. Any mismanagement, fraud or failure to satisfy

fiduciary responsibilities, or any negative publicity resulting from their activities, the activities of any third parties to whom the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group have partnerships with or have outsourced any services to, or any accusation by third parties in relation to their activities (in each case, whether well founded or not) associated with the Group, Codan Denmark, or, following completion of the Acquisition, the Enlarged Group or the industry generally, e.g. possible discrimination against minorities or any non-compliance with EU sanctions regulations and the freezing of funds, could have an adverse effect on the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects, including:

- reducing public confidence in the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group;
- decreasing their ability to retain current policyholders;
- increasing the likelihood that the Danish FSA or other regulators will not approve acquisitions in cases of very severe violations or breaches of the financial regulation and other applicable regulatory requirements or will subject the Enlarged Group to closer scrutiny than would otherwise be the case;
- increasing costs of borrowing, including in debt capital markets transactions;
- adversely affecting the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's ability to obtain reinsurance or to obtain reasonable pricing on reinsurance;
- reducing the retention of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's retention of their employees; and
- decreasing customers' willingness to acquire particular products.

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years.

It is not always possible to deter or prevent employee misconduct and the precautions the Group and Codan Denmark take to prevent and detect this activity may not be effective in all cases. They therefore run the risk that employee misconduct could occur, with possible adverse effects on them as set out.

Any of the above could have an adverse effect on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

On 7 July 2021 the Danish FSA reported the Group and Codan Denmark, together with a number of other Danish insurance companies, to the Danish police for not providing insurance cover for certain treatments related to pregnancy and the Group and Codan Denmark have subsequently, in October 2021, been charged. This may potentially result in fines to the Group and

Codan Denmark which may impact the financial situation of the Group and Codan Denmark and/or lead to reputational damage.

**2.14 Market risk may materially adversely affect the value of the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's investments in their equity portfolios, adversely impact their financial position and results of operations, and result in volatility in their results.**

The Group and Codan Denmark invest and, following completion of the Acquisition, the Enlarged Group will invest a portion of its assets in equities in accordance with the investment policies and guidelines. Equities are generally subject to greater volatility and hence more risk compared to fixed income securities. The Group investment assets are marked to market on daily basis and its respective investment portfolios are therefore affected by fluctuations in both equity and bond prices. Factors beyond the Groups control, such as general economic conditions, stock market conditions or other conditions, may materially adversely affect the market value and investment return on the Group's investment portfolio.

As of 31 December 2020, the Group's equity investment of own assets, which amounted to DKK 406 million corresponding to 3% of its portfolio, were placed in equities and less than 0.1% of the total assets were placed in unlisted equities, primarily in the form of strategic sector equities. Sector equities are held for the purpose of supporting the insurance activities. See Part I, section 6.10 – "Business overview of the Group" – "Investments" for a description of the Group's investment portfolio and return. Codan Denmark's equity investment assets amounted to DKK 267 million, or 2.3% of its portfolio. See Part I, section 7.9 – "Business overview of Codan Denmark" – "Investments" for a description of Codan Denmark's investment portfolio and return.

There is a risk of future market declines and the Enlarged Group can provide no assurance as to the amount or timing of future unrealized losses or impairments of its equity investments, which may, in each case, materially adversely impact its results of operations and shareholders' equity. Volatility in the prices of equity securities will also lead to significant changes in both the valuation of the portfolio as well as investment returns on the portfolio from period to period.

For a discussion of the impact of changes in equity markets on the Group's results of operations for 2019 compared to 2018, 2020 compared to 2019 and Q1 – Q3 2021 compared to Q1 – Q3 2020, see Part I, section 10.10 – "Operating and financial review of the Group – "Financial results for the financial year 2019 compared to the financial year 2018", Part I, section 10.9 – "Operating and financial review of the Group" – "Financial results for the financial year 2020 compared to the financial year 2019" and Part I, section 10.8 – "Operating and financial review of the Group" – "Financial results for Q1 – Q3 2021 compared to Q1 – Q3 2020".

As of Q4 2020, the Group outsourced a number of its asset management activities to an external asset manager. Failure by the external asset manager to properly perform and monitor investment management activities and/or failure by the Group to properly monitor the external asset manager's asset management activities on behalf of the Group could lead to, among others, poor investment decisions and poor asset allocation, the wrong investments being bought or sold or the incorrect monitoring of exposures, which may lead to an increased market risk. Similarly, the Group's and, following completion of the Acquisition, the Enlarged Group's market

risks may increase whereby the Group and, following completion of the Acquisition, the Enlarged Group is exposed to increased risks of losses due to volatility in prices of securities and other financial instruments.

**2.15 Foreign exchange rate fluctuations may adversely impact the value of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's investments, adversely impact their financial position and results of operations and result in volatility in their results.**

The Group prepares its consolidated financial statements in Danish kroner. Fluctuations in currency exchange rates impact the value of the Group's investments and the return on its investments in Danish kroner. The impact of these fluctuations in currency exchange rates is mitigated by the fact that a significant portion of the Group's and Codan Denmark's investment portfolios are denominated in Euro, to which the Danish kroner is pegged. However, the Group may be subject to additional currency exchange rate impacts should the Danish kroner cease to be pegged to the Euro.

It is the Group's current policy to have a very limited exchange rate risk and are accordingly hedging such risks. Accordingly, the Company considers the probability of these risks materialising as limited. Nonetheless, there is a risk of failures in the processes of hedging these risks whereby the risks are not mitigated to a sufficient level. If such risks materialise, it may materially adversely affect the financial position and results of operations of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group.

For a discussion of the impact of changes in equity markets on the Group's results of operations for 2019 compared to 2018, 2020 compared to 2019 and Q1 – Q3 2021 compared to Q1 – Q3 2020, see Part I, section 10.10 – "Operating and financial review of the Group – "Financial results for the financial year 2019 compared to the financial year 2018", Part I, section 10.9 – "Operating and financial review of the Group" – "Financial results for the financial year 2020 compared to the financial year 2019" and Part I, section 10.8 – "Operating and financial review of the Group" – "Financial results for Q1 – Q3 2021 compared to Q1 – Q3 2020".

Codan Denmark write some insurance business in other currencies than DKK. In order to limit the impact from fluctuation in currency exchange rates Codan Denmark seek to match insurance liabilities with asset per currency either by holding investment assets in the designated insurance liability currencies or by using FX hedging. However, there may be failures in the processes of hedging these risks whereby the risks are not mitigated to a sufficient level. If such risks materialise, it may adversely affect the cash flows, business, financial condition, results of operations and prospects of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group.

For a discussion of the impact of changes in equity markets on Codan Denmark's results of operations for 2019 compared to 2018, 2020 compared to 2019 and Q1 – Q3 2021 compared to Q1 – Q3 2020, see Part I, section 11.10 – "Operating and financial review of the Group" – "Financial results for the financial year 2019 compared to the financial year 2018", Part I, section 11.9 – "Operating and financial review of Codan Denmark" – "Financial results for the financial

year 2020 compared to the financial year 2019" and Part I, section 11.8 – "Operating and financial review of the Group" – "Financial results for Q1 – Q3 2021 compared to Q1 – Q3 2020".

**2.16 Changes in interest rates may materially adversely affect the value of the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's fixed income investment portfolio and investment returns on the fixed income portfolio, and accordingly adversely impact their financial position and results of operations, and result in volatility in their results.**

Investment returns are an important part of the Group's and Codan Denmark's overall profitability. Accordingly, fluctuations in long- or short-term interest rates may materially adversely affect their and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects, and particularly the value of and investment income with respect to the fixed income portfolios. The Group's investment assets are marked to market on a daily basis and are therefore affected by interest rate fluctuations except unlisted investment assets. In addition, investment income will be impacted; in particular, decreasing during sustained periods of lower interest rates, as higher-yielding fixed income securities are called, mature or sold and the proceeds are reinvested at lower rates.

The Group and Codan Denmark are and, following the Acquisition the Enlarged Group, will be generally required to discount all of its claims reserves using market-based interest rates. Depending on the nature of the claims covered by the claims reserves (whether such claims are settled quickly or over a long period of time), interest rate fluctuations will have a lesser or greater impact on the value of the Group's, Codan Denmark's and following the Acquisition, the Enlarged Group's, liabilities. A general increase in interest rates will lead to a decrease in the Group's, Codan Denmark's and, following the Acquisition, the Enlarged Group's claims reserves but at the same time lead to a decrease in the value of its bond portfolio. Given that a perfect match is not possible, there is a moderate risk that such offsetting movements are not necessarily equal.

As of 31 December 2020, the Group's claims reserve according to the IFRS and Solvency II amounted to DKK 24,698 million gross of reinsurance and DKK 24,476 million net of reinsurance. If interest rates for all maturities had been 100 basis points higher on that date, the discounting effect would have been higher and the Group's claims provisions would have been DKK 267 million lower due to discounting and the impact of interest-bearing securities would be DKK 455 million lower, leading to a net impact of DKK -188 million.

As of 31 December 2020, Codan Denmark's claims reserves according to Solvency II amounted to DKK 9,070 million gross of reinsurance and DKK 8,459 million net of reinsurance. If interest rates for all maturities had been 100 basis points higher on that date, the discounting effect would have been higher and Codan Denmark's claims and premium provisions would have been DKK 291 million lower due to Solvency II discounting and the impact of interest-bearing securities would be DKK 307 million lower, leading to a net impact of DKK 16 million.

A mismatch resulting from changes in value described above is likely to result in fluctuations in the Group's, Codan Denmark's and, following the Acquisition, the Enlarged Group's earnings. It

is not always possible or, in certain cases, desirable, for the Group, Codan Denmark or, following the Acquisition, the Enlarged Group to match these cash flows and, as a result, such a mismatch will normally exist and interest rate fluctuations will therefore impact its financial results, and such impact could be material. As a result of fluctuations in interest rates, its results of operations could be more volatile.

The Company assesses that there is a moderate risk of changes in interest rates adversely affecting the cash flows, business, financial condition, results of operations and prospects of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group.

**2.17 COVID-19 has materially impacted and may potentially continue to impact the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group. This may negatively affect the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.**

The COVID-19 pandemic and related impacts caused a recession in the EU and elsewhere. The decline in gross domestic product (GDP) in the EU led to and may potentially again lead to lower consumer spending and increased financial market volatility. In addition, this may lead to reduced returns on and loss of value of pensions and other investments, which may reduce consumer confidence and levels of disposable income. During certain periods, COVID-19 also resulted in reduced access to credit markets. Any such consequences may lead to decreased demand for certain limited products and services of the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group. The impact of COVID-19 on working practices, such as remote working rather than physical meetings, might also have an adverse effect on the integration of Codan Denmark into the Group.

The long-term impacts of the COVID-19 pandemic remain unclear. For example, additional resurgences of COVID-19 cases and new variants throughout Q4 2020 and during 2021 have led to further national or local lockdowns or other restrictive measures being reinstated throughout Europe and significant social distancing and other protective measures may remain in place in 2021 and beyond. This could result in even more severe macroeconomic impacts with gross domestic product (GDP) and consumer spending suffering further reductions. In particular, emerging strains of COVID-19 with materially higher transmission rates have led to further national lockdowns and restrictive measures globally. COVID-19 vaccines may not be sufficiently effective, particularly against the emerging strains, and a return to normality may take time or never occur. As a result, the Enlarged Group could experience changed customer behaviour potentially leading to persistently increased competition and lower margins on new insurance policies. Future developments around COVID-19 may impact the global economy and/or financial markets as well as customer behaviour including claims development and demand for insurance products, e.g., decreased demand for travel insurance, all of which may negatively affect the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects. See also Part I, section 10.4.8 – "Operating and financial review of the Group" – "Key factors affecting results of operations" – "Impact of COVID-19 lockdowns and related effects" for a discussion of the impact of COVID-19 on the Group and Part I, section 11.4.6 – "Operating and



financial review of Codan Denmark" – "Key factors affecting results of operations" – "Impact of COVID-19" for a discussion of the impact of COVID-19 on Codan Denmark.

**2.18 The Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will be subject to the GDPR. Failure to comply with the GDPR could have an adverse effect on their reputation, cash flows, results of operations and prospects.**

As insurance companies, the Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will be, processing and storing a large amount of personal data, including sensitive personal data. Due to the commitment to provide and expand the digital offering to customers together with a simplification and automation of the processes and customer interactions, the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are, and are likely in the future to be processing even more extensive personal data. In addition, the Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, using outsourcing providers which may also process such personal data including in countries outside the European Union or the European Economic Area.

Accordingly, each of the Group and Codan Denmark, and, following completion of the Acquisition, the Enlarged Group will be, dependent upon its, ability to comply with, among others, the GDPR, which may impose additional obligations, costs and risk upon the businesses of the Group, Codan Denmark, and, following completion of the Acquisition, the Enlarged Group. Penalties under the GDPR may amount to a maximum of 4% of annual global revenue, in the event of any non-compliance with the data protection regulations. Under the GDPR, companies are required to notify local data protection authorities, such as the Danish Data Protection Agency, in the event of a data breach which may require the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, to communicate the data breach to the exposed customers and may lead to civil liability, fines and/or reputational damage.

Though the Group and Codan Denmark are continuously investing in compliance with the GDPR and have procedures in place to prevent GDPR breaches, such procedures have not always been, and may in the future not be, wholly effective. Accordingly, the Group and Codan Denmark are in the ordinary course of business reporting data breaches to the Danish Data Protection Agency, none of which, however, have resulted in fines from the Danish Data Protection Agency.

The Group, Codan Denmark, and, following completion of the Acquisition, the Enlarged Group, may incur substantial expense in complying with obligations to be imposed by the Court of Justice of the European Union's interpretation of the GDPR. For example, as Codan Denmark makes use of, and the Enlarged Group is expected to, following completion of the Acquisition, make use of, certain data processors which entail third country transfer of personal data, including to the USA, Codan Denmark may incur expenses in complying with GDPR obligations regarding transfers of personal data to countries outside the European Union or the European Economic Area, including the United States as a consequence of the ruling from the Court of Justice of the European Union's case C-311/18 Data Protection Commissioner v Facebook Ire-

land Limited and Maximillian Schrems of 16 July 2020. Failure by the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group to comply with the GDPR could have an adverse effect on their reputation, cash flows, results of operations and prospects. See also Part I, section 10.4.8 – "Operating and financial review of the Group" – "Key factors affecting results of operations" – "Impact of COVID-19 lockdowns and related effects" for a discussion of the impact of COVID-19 on the Group and Part I, section 11.4.6 – "Operating and financial review of Codan Denmark" – "Key factors affecting results of operations" – "Impact of COVID-19" for a discussion of the impact of COVID-19 on Codan Denmark.

**2.19 Litigation and regulatory investigations and sanctions may have a material adverse effect on the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's business, financial condition, results of operations and prospects.**

As an inevitable part of carrying out insurance business, the Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will from time to time be involved in legal proceedings (including class actions) that may be costly if they are not determined in the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's favour. Also, they may divert the management's attention away from running the business. In the ordinary course of their insurance activities, the Group and Codan Denmark are each, and, following completion of the Acquisition, the Enlarged Group will continue to be, routinely involved in legal, mediation and arbitration proceedings with respect to liabilities which are the subject of policy claims.

In some domestic insurance markets, insurers have experienced an increased number of court cases where customers are testing insurance conditions in court. In general, this has not proven common in Scandinavia, but if the courts rule in favor of customers there is an increased probability that more cases will be seen in markets where the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, operate as well. Insurance companies in general, hereunder Codan Denmark, have experienced an increased number of court cases where customers are testing insurance conditions in court.

If the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are involved in any other protracted legal, mediation or arbitration proceedings and/or are found to be liable in respect of any claim or litigation or subject to any costly settlement, there could be a material adverse effect on their business, financial condition, results of operations and prospects.

**2.20 The Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, subject to extensive regulatory requirements. Failure to comply with such requirements, obtain, hold or renew licenses, permissions, authorisations or notifications, or changes to the legal and regulatory systems under which the Enlarged Group will operate could have a material adverse effect on its reputation, cash flows, business, financial condition, results of operations and prospects.**

The Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, subject to extensive governmental regulation. The regulations may differ between the different parts of the insurance industry; such complexity increases the risk of violating any regulations, which could result in fines or reduced operating concessions being imposed by the relevant regulatory authorities. In addition, the Group and Codan Denmark depend upon their ability to obtain and maintain certain licenses, permissions, authorisations or notifications to conduct their business, hereunder their licenses as non-life and life insurers with the Danish FSA. Failure to obtain, hold or renew such licenses, permissions, authorisations or notifications could, following completion of the Acquisition, have a material adverse effect on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

Laws and regulations applicable to the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group

- i) require the maintenance of solvency levels and capital adequacy;
- ii) set conditions for obtaining and maintaining government approval;
- iii) require the licensing of insurers and their management;
- iv) regulate the marketing, sale and content of certain policies;
- v) limit insurers' rights to amend, cancel, refuse or renew policies or to withdraw from markets;
- vi) give customers the right to cancel their policies under certain conditions, e.g., the right to cancel the policy within 14 days for non-life insurances and 30 days for life-insurances of entering into it;
- vii) may entail involuntary assignments of high-risk policies, participation in reinsurance facilities and underwriting associations, assessments, and other governmental charges; and
- viii) restrict the amount and type of investment assets held.

Changes in or failure to comply with any applicable laws and regulations or government approvals or conditions or lack of approvals could lead to disciplinary action, the imposition of fines and/or the revocation or lack of renewal of the licenses, permissions, authorisations or notifications to conduct business in the jurisdictions in which the Group and Codan Denmark operate, or to a civil liability. This could have a material adverse effect on the Enlarged Group's ability to continue business following completion of the Acquisition.

Applicable laws, regulations, government approvals and policies, and/or the interpretation or enforcement thereof, may change at any time, which may adversely affect the Enlarged Group's cash flows, business, financial condition, results of operations and prospects. For example, legislative changes may affect the level of insurance compensation for past accident periods impacting the Group's and Codan Denmark's reserving risk. As another example, on 27 April 2021, the Danish Ministry of Industry, Business and Financial Affairs established a working group with the aim of analysing the impact of among others financial conglomerates on the competition in the financial services market and suggesting measures for how to increase such competition. The result of the analysis and the suggestions could, if subsequently adopted as applicable regulation, impact the Group's and Codan Denmark's strategic partnerships and, following completion of the Acquisition, the Enlarged Group's strategic partnerships, which could have a material adverse effect on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's reputation, cash flows, business, financial condition, results of operations and prospects.

The Enlarged Group will also be subject to corporate and tax rules. Changes to such rules could result in increased charges, financial loss, penalties, and reputational damage, which may have a material adverse effect on the Enlarged Group's financial condition and results of operations. For example, the Danish government has entered into an agreement with certain political parties in Denmark on imposing increased tax on financial institutions. According to the agreement, the intention is to generate a tax income for Denmark in the amount of DKK 1 billion in 2023 and DKK 1.26 billion in the following years. The Danish government expects to present a bill to the Danish parliament in this respect in February 2022 according to which the increased tax will be 3.2% of taxable income in 2023 and 4% of taxable income in the following years. Depending on the final act, if adopted by the Danish parliament, it may substantially increase the Enlarged Group's tax payments from 2023.

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 tend 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 long 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. As these factors are outside the control of the Group's, Codan Denmark's and, following the completion of the Acquisition, the Enlarged Group's control, the company may not have priced the insurances at the right level. In addition, due to potential changes in the relevant Danish legislation and the relatively long duration of the insurances, there is a risk that the pricing has not been set at the right level.

For further information on the regulatory environment in which the Group and Codan Denmark operate see Part I, section 9 – "Regulation".

The Danish FSA conducts regular inspections on the Group and Codan Denmark. Depending on the findings of the Danish FSA during such inspections, the inspections may lead to fines,

orders, reprimands or risk information. The conclusions and reactions from the inspections are published by both the Danish FSA and the company in question.

For example, the Danish FSA conducted an inspection of Alm. Brand Forsikring A/S' partial internal model used for calculating the company's solvency capital requirement in December 2017 and the conclusion from the inspection was published 21 August 2020. Though the Danish FSA found that the overall model contains a sufficient volatility, the Danish FSA found that volatility for a number of the covered industries may be underestimated, which may have consequences for the application of the model. Therefore, the company received a piece of risk information. Risk information served by the Danish FSA is a supervisory reaction applied by the Danish FSA in cases where applicable regulation has not been breached, but the Danish FSA finds certain circumstances to be of risk for future breaches or regulatory concern, including business models associated with risks or similar. The risk information has not impacted the calculations made under the partial internal model. Further, Alm. Brand Forsikring A/S received an order on including all existing risk in the calculation of the solvency capital requirement when making up the volume targets for calculating the premium risk. Finally, the Danish FSA found that the company treated two counterparties from the same group as two single-name exposures in its statement of counterparty risk. The company, similar to other Danish insurance companies, therefore received an order to treat counterparties from the same group as a single name exposure. The order was essentially implemented by Alm. Brand Forsikring A/S during the inspection and did not materially impact Alm. Brand Forsikring A/S' solvency capital requirement.

Similarly, on 24 January 2020, the Danish FSA ordered Alm. Brand Liv og Pension to calculate the provisions for solvency in accordance with the applicable principles in the Solvency II Regulation by end 2022.

The Danish FSA initiated a routine inspection of Alm. Brand Forsikring A/S in April 2021. Based on the inspection, the Danish FSA issued the following orders to Alm. Brand Forsikring A/S in October 2021: (i) certain specific internal policies and guidelines shall be adopted in accordance with applicable governance requirements, (ii) the remuneration policy shall be updated to reflect Alm. Brand Forsikring A/S' pension policy and use of single bonuses below DKK 100,000, (iii) Alm. Brand Forsikring A/S' ORSA-report shall cover the entire strategic planning period, (iv) the effectiveness of the compliance function must be ensured, (v) two specific outsourcing agreements must be amended to fully comply with applicable outsourcing regulation, and (vi) the capital plan shall be updated to ensure it covers the risks which Alm. Brand Forsikring A/S may be exposed to in accordance with its strategy. The Danish FSA did not comment on central matters such as provisions, capital, solvency or investments and Management expects that Alm. Brand Forsikring A/S will be able to comply with the orders by 31 December 2021.

On 7 July 2021 the Danish FSA reported the Group and Codan Denmark, together with a number of other Danish insurance companies, to the Danish police for not providing insurance cover for certain treatments related to pregnancy and the Group and Codan Denmark have subsequently, in October 2021, been charged. This may potentially result in fines to the Group and Codan Denmark which may impact the financial situation of the Group and Codan Denmark and/or lead to reputational damage which in turn could affect the Group's, Codan Denmark's

and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

Depending on the severity of regulatory findings and reactions as well as the publication of such reactions it may lead to reputational damage and financial losses for the Group, Codan Denmark and, following the completion of the Acquisition, the Enlarged Group.

**2.21 The Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will be, subject to competition regulation which may reduce its strategic manoeuvrability.**

In addition to consumer protection measures imposed on the Group and Codan Denmark by financial services regulators, the companies are also subject to competition and consumer protection laws enforced in Denmark by the Danish Competition and Consumer Authority.

The Group is the third largest non-life insurer in Denmark with a market share of 8.9% and Codan Forsikring is the fourth largest non-life insurer in Denmark with a market share of 8.5%, both based on gross premium income in Q3 2020 according to the latest available statistics from the Danish industry organisation Forsikring & Pension. Accordingly, after completion of the Acquisition, the Enlarged Group is expected to be the second largest non-life insurer in Denmark with a market share of 17.4% (based on an addition of the Group's and Codan Forsikring's respective market shares in Q3 2020 based on gross premium income). It should be noted that the statistics from Forsikring & Pension considers Topdanmark A/S and IF Skadeforsikring (Filial af Skadeförsäkring AB (publ), Sverige) as separate entities despite some overlap in ultimate ownership. In addition, according to the latest available statistics from Forsikring & Pension, the Group had a market share of 0.8% for life insurance measured by gross premium income and subscriptions in 2020.

Competition laws and regulations may have an effect on the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's future ability to obtain growth through further acquisitions.

**2.22 If the Enlarged Group is unable to retain skilled employees and members of its senior management or attract and retain qualified skilled employees and members of senior management in the future, it may not be able to execute its business strategy.**

The Enlarged Group will depend on the continued contributions of its senior management. The loss of one or more of the Enlarged Group's senior management members could adversely affect its business. Competition for senior management in the insurance industry is intense. Further, the rules and the Danish FSA's administrative practice concerning the assessment of the fitness and propriety (fit & proper) of senior management members under applicable Danish legislation have continuously been, and may continuously be, tightened. Qualified individuals are in high demand, and the Enlarged Group may incur significant costs to retain them. Further, the Enlarged Group may be unable to retain members of the Codan Denmark's management or skilled personnel following completion of the Acquisition.

Especially with regards to Codan Denmark's, and accordingly following completion of the Acquisition, the Enlarged Group's, business line "Tech Line", the potential inability of retaining the senior management may be detrimental to the continued operation of the business line.

The Enlarged Group's continued success will also depend on its ability to attract, motivate and retain highly competent managers and specialists, particularly with finance, IT, data analytics, underwriting and actuarial skills. Competition for personnel with such skills and proven ability is intense among insurance companies in Denmark. The Enlarged Group will also compete with other insurers and with financial services groups for skilled personnel, primarily on the basis of its reputation, financial position, remuneration policies and support services. Any inability of the Enlarged Group to attract and retain highly skilled personnel and to motivate and train its staff effectively could adversely affect its competitive position, but the Company considers this risk to be relatively low.

**2.23 The Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will be exposed to the risk of mis-selling claims from customers.**

The Group's and Codan Denmark's products are, and, following completion of the Acquisition, the Enlarged Group's products will be exposed to mis-selling claims. Mis-selling claims are claims from customers who believe that they received misleading advice from the Group, Codan Denmark or, following completion of the Acquisition, the Enlarged Group's sales personnel or insurance intermediaries' advisers as to which products were most appropriate for the customers, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold were misrepresented to the customers.

For a variety of reasons, including the role of brokers and the standardisation of insurance products in the Danish market, the Group and Codan Denmark have historically faced a limited number of mis-selling claims but there can be no assurance as to the magnitude or consequences of future mis-selling claims. For example, on 7 July 2021 the Danish FSA reported the Group and Codan Denmark, together with a number of other Danish insurance companies, to the Danish police for not providing insurance cover for certain treatments related to pregnancy and the Group and Codan Denmark have subsequently, in October 2021, been charged. This may potentially result in fines to the Group and Codan Denmark which may impact the financial situation of the Group and Codan Denmark and lead to reputational damage which in turn could affect the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

Customers who believe that they have been misled or misinformed may in the future seek redress for expectations that the advice or perceived misrepresentations created. Customers who are, for any reason, dissatisfied with their product may hold the insurance company accountable for the advice given by an insurance intermediary, even though the insurance intermediary gives advice on the basis of a mandate from the customer, and the insurance company is legally not responsible for the advice given by an insurance intermediary. Complaints or negative publicity may also arise in respect of any other aspect of the Group's or Codan Denmark's business if customers believe that they have not been treated reasonably or fairly (whether or not this is accurate or well founded) or that the Group or Codan Denmark have not complied with their

duty of care. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, may have an adverse effect on each of the Group's, Codan Denmark's, and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

### **3. RISKS RELATING TO THE FINANCIAL POSITION OF THE GROUP AND CODAN DENMARK AND, FOLLOWING COMPLETION OF THE ACQUISITION, THE ENLARGED GROUP**

#### **3.1 The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's prospective financial information, ambitions and targets included in this Prospectus may differ materially from its actual results and investors should not place undue reliance on it.**

As part of monitoring its performance indicators, the Group has established certain financial targets and has published financial information for the year ending 31 December 2021 in this Prospectus in Part I, section 14 – "Profit forecasts or estimates" in accordance with the rules of Annex 3 (Registration document for secondary issuances of equity securities) to the Delegated Prospectus Regulation. These financial projections, including the medium-term financial ambitions and targets included in this Prospectus, are based upon a number of assumptions and estimates (including the success of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's business strategy), which are subject to significant business, operational, economic and other risks, many of which are outside of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's control. Accordingly, such assumptions may prove to be incorrect. In addition, unanticipated events may adversely affect the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's results in future periods whether or not the assumptions relating to 2021 or future periods otherwise prove to be correct, such as the COVID-19 pandemic affecting the business and financial performance of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group. As a result, the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's actual results may vary materially from these projections and targets and investors should not place undue reliance on them.

#### **3.2 The Group and Codan Denmark are exposed to credit and counterparty risk in relation to financial institutions, including reinsurers. Deteriorations in the financial soundness of financial institutions may have a material adverse effect on their and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.**

The Group's primary counterparty risks are related to the Group's cash holdings in financial institutions, reinsurance contracts and market risk management. The counterparty risk on reinsurance contracts arises in connection with large claims exceeding the Group's retention threshold. In the event of a very large claim, the Group will experience a large exposure to a number of reinsurance companies which are as a minimum rated A- (A minus) according to Standard & Poor's or A.M. Best. Further, the Group uses reinsurance contracts with other insurance com-



panies to mitigate single risk exposures and cash holdings in connection with the daily operations of the Group. The Group uses derivatives to manage market risks such as interest rate risks, inflation risks and currency risk. In the event of a full utilisation of the Group's property catastrophe excess of the loss reinsurance programme, the Group's exposure towards reinsurers will amount to approximately DKK 4,200 million, of which the Group's exposure towards its three largest reinsurers will amount to approximately DKK 1,500 million in the aggregate. Similarly, in the event of a full utilisation of Codan Denmark's property catastrophe excess of the loss reinsurance programme, Codan Denmark's exposure towards reinsurers will amount to approximately DKK 11,630 million which is based on the full RSA Group catastrophe programme. As a result of the Demerger, Codan Denmark is expected to adjust its respective reinsurance protections with effect from 1 January 2022 to reflect its exposure. This will result in a decrease in the current limit of the property catastrophe excess of loss reinsurance programme to become approximately DKK 3,500 million. The exposure for a Scandinavian storm event (a likelihood of 1 time in 200 years) is modelled at DKK 1,600 million and considering a buffer of 200% which is covered by the catastrophe reinsurance, Codan Denmark's exposure towards its three largest reinsurers will amount to approximately DKK 1,000 million in the aggregate.

Accordingly, the Group and Codan Denmark are and, following completion of the Acquisition, the Enlarged Group will be dependent of other financial institutions as a result of trading, counterparty and other relationships in the global financial system. Financial institutions with whom the Group and Codan Denmark conduct business act as counterparties to them in such capacities as borrowers, issuers of securities, customers, banks, reinsurance companies, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other financial intermediaries. In any of these capacities, a financial institution acting as a counterparty may not perform its obligations due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security it provides may prove inadequate to cover its obligations at the time of the default. The risk may be enhanced in an economic downturn.

The interdependence of financial institutions means that the failure of a sufficiently large and influential financial institution due to disruptions in the financial markets could materially disrupt securities markets or clearance and settlement systems in the markets. This could cause severe market declines or volatility. Such a failure could also lead to a chain of defaults by counterparties that could materially adversely affect the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group. This risk, known as "systemic risk", could adversely impact future product sales as a result of reduced confidence in the insurance industry. It could also reduce results because of market declines and write-downs of assets and claims on third parties.

In such situations, or in other situations, the Enlarged Group may furthermore not be able to adequately manage exposures through ordinary use of derivatives, or appropriate derivative products may not be available on favourable terms, or at all.

The Group generally limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting agreements with the counterparties and by using

central counter parties (CCPs), especially London Clearing House, for clearing obligations under derivative agreements. However, the Group is exposed to counterparty risks with regards to bilateral derivative agreements, which are not cleared through a central counter party (CCP), or alternatively deposits in banks. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the International Securities and Derivatives Association (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.

Codan Denmark is exposed to counterparty risks with regards to bilateral derivative agreements, which are not cleared through a central counter party (CCP), and bank deposits. For bilateral derivative arrangements, collateral security margin agreements ensure that cash collateral is provided when the exposure exceeds DKK 2.5 million. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent. On 30 June 2021, Codan Forsikring had the following derivatives exposures: short SEK against DKK amounting to SEK 5,500 million; hedge of Swedish balance sheet, which is expected to expire at the same time as the demerger of the Swedish business of Codan to Tryg prior to the Demerger; short EUR against DKK amounting to EUR 148 million; a hedge of the net balance sheet FX exposure; long USD against DKK amounting to DKK 24.7 million until end 2022. Similarly, for the Group's bilateral derivative arrangements, margin agreements ensure that cash collateral is provided when the exposure exceeds between DKK 2 million and DKK 4 million.

Despite an A- rating for reinsurers and netting agreements, the credit and counterparty risk towards other financial institutions still remains eminent.

Despite the Company's assessment that the probability of these risks materialising is relatively low, if they do materialise, it may have a material adverse effect on the cash flows, business, financial condition, results of operations and prospects of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group, however the counterparty exposure for derivatives is deemed limited.

**3.3 Failure to maintain adequate capital could have a variety of negative regulatory and operational implications for the Group and Codan Denmark and, following completion of the Acquisition, the Enlarged Group including requiring additional capital in the future, which will hinge on the credit ratings of the Enlarged Group and may not be available or may only be available on unfavourable terms.**

Insurance companies and insurance holding companies such as the Group and Codan Denmark are required to maintain a minimum level of own funds (also referred to as regulatory capital) in excess of the value of their liabilities to comply with a number of regulatory requirements relating to their (and their subsidiaries') solvency and reporting bases. Solvency requirements are governed by Solvency II and other legislative acts enacted on the basis of Solvency II. These regulatory requirements apply to individual insurance subsidiaries on a standalone basis and in respect of the Group and Codan Denmark as a whole. The Group is also from time to time in dialogue with its regulator and legislator in relation to regulatory capital requirements.

A part of this dialogue, especially when it is related to regulatory requirements applying to the entire insurance industry, is conducted through relevant industry organisations. The Group's and Codan Denmark's regulatory capital requirements have in the past both increased and decreased and may from time to time in the future increase and decrease for a number of reasons, including as a result of the discount rate set by regulators under Solvency II.

The Group's and Codan Denmark's capital position is also assessed by their regulators, which may include evolving regulatory views on capital adequacy. For example, the European Commission is in the process of reviewing Solvency II which is likely to result in regulatory changes to the Group's and Codan Denmark's solvency requirements. The Group's and Codan Denmark's regulatory capital requirements also depend on the level of risk facing them as well as on internal risk margin calculations, and as such correlate to economic and general insurance market cycles, their ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses, as well as the performance of their investment portfolio.

The Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's capital position can be adversely impacted by a number of factors, in particular factors that may erode the Enlarged Group's capital resources and could impact the quantum of risk to which the Enlarged Group is exposed. Such factors include lower than expected earnings and accumulated market impacts (such as foreign exchange and asset valuation). In addition, any event that erodes current profitability and/or is expected to reduce future profitability or make profitability more volatile could impact the Enlarged Group's capital position.

To the extent that the funds currently available to the Group and Codan Denmark are insufficient to fund the Enlarged Group's future capital and operating requirements and cover claims payments, it may need to raise additional funds through financings or curtail its growth and/or reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favourable to the Enlarged Group and a downgrade in the Enlarged Group's credit ratings could impact the terms and availability of such financing and access to the debt capital markets. If the Enlarged Group cannot obtain adequate capital on favourable terms or at all, its cash flows, business, financial condition, results of operations and prospects could be materially adversely affected.

**3.4 A downgrade or a potential downgrade in the Group's and/or Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's credit or financial strength ratings could affect their standing in the market and may decrease premiums and earnings, which may adversely affect their liquidity or capital position, or the cost of raising capital or cause them to incur additional financing obligations.**

Credit ratings are an important factor in the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's competitive positions. On 23 September 2021, the Company announced that the international credit rating agency Fitch Ratings has rated Alm. Brand Forsikring A/S and the Company for the first time. Fitch Ratings has assigned Alm. Brand Forsikring A/S an insurance financial strength rating (IFSR) of 'A+' and has assigned the Company a long-term issuer default rating (IDR) of 'A'. Both ratings are assigned a 'stable outlook' reflecting Fitch Ratings' expectation that the rating will remain at the level assigned in the short

to medium term, see also Part I, section 6.15 – "Business overview of the Group" – "Credit ratings". Rating organisations periodically review the financial performance and condition of insurers. Rating organisations assign ratings based upon a variety of factors according to published criteria. While most of the factors relate to the rated company including the level of capital and diversity of insurance risk and mix of invested assets, some of the factors relate to general economic conditions and other circumstances outside the rated company's control.

A downgrade of any of the Enlarged Group's credit ratings could have a material adverse impact on the ability of the Enlarged Group to write certain types of general insurance business, particularly commercial insurance business. A downgrade could also lead brokers to stop recommending the Enlarged Group's products and lead to the loss of other customers whose confidence in the Enlarged Group may be affected or whose policies require insurance from insurers with a certain rating. While the Enlarged Group could, among other things, consider writing business on a fronted basis (i.e., an arrangement where a higher rated insurer writes certain lines of the Enlarged Group's business) to mitigate the effects of the loss of broker recommendations, such measures may have an adverse effect on the Enlarged Group's underwriting profitability. A downgrade could also impact the terms and availability of financing and access to the debt capital markets. Similarly, there is a risk that some customer or corporation agreements may be terminated or renegotiated in case of a rating downgrade.

Some of Codan Denmark's commercial business is dependent on having a credit rating, see Part I, section 7.16 – "Business overview of Codan Denmark" – "Credit ratings". If a credit rating is not available or falls short of S&P A- or equivalent, this may have a material adverse impact on the Group's, Codan Denmark's or, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**3.5 When calculating the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's equity, profits/losses account and solvency, accounting estimates are made and if these estimates and the assumptions proves to be incorrect, or if failures have been made with making these estimates and assumptions, this may materially adversely impact the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's equity, profit/loss account and solvency.**

Calculating the Group's and Codan Denmark's equity, profits/losses account and solvency involve aggregating data, performing calculations and using accounting estimates. Such estimates are made by the Group's and Codan Denmark's management in accordance with the accounting policies and on the basis of historical experience and assumptions. The estimates most significant for calculating equity, profits/losses account and solvency are related to liabilities under insurance contracts, valuation of mortgage deeds and to the calculation of fair values of unlisted financial instruments and receivables.

If these estimates and the assumptions proves to be incorrect or if there is an error in aggregating the relevant data or performing the calculations, this may impact the Group's and Codan Denmark's, and will impact, following completion of the Acquisition, the Enlarged Group's, equity, profit/loss account and solvency.

**3.6 Changes in accounting standards or policies, including changes to IFRS and the implementation of future orders, standards and interpretations to IFRS, including in relation to the implementation of IFRS 17 (insurance contracts), could materially adversely affect the Enlarged Group's reported results and shareholders' equity.**

Accounting standards impact the presentation of, among other things, shareholders' equity and annual profits. The Group has adopted and, following completion of the Acquisition, the Enlarged Group will adopt IFRS as its accounting standard. There is no guarantee that these accounting standards will not change, and adversely affect reported revenues, results or capital position.

The assessment of no significant impact on the statement of financial position or profit and loss is based on the assumption that the Group already carries all financial instruments at fair value through profit and loss.

IFRS 17 applies to all insurance and reinsurance contracts written by an entity and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents insurance contracts and to enable users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows and applies for accounting periods beginning on or after 1 January 2023. The Group is currently implementing the requirements of IFRS 17. The implementation hereof requires substantial resources. If sufficient resources are not readily available to be allocated to the implementation project, the Group may not become compliant by the deadline 1 January 2023. While the Group anticipates a limited impact on key figures due to reclassifications under IFRS 17, it remains uncertain whether and how implementation of IFRS 17 will affect the Group and, following completion of the Acquisition, the Enlarged Group.

These and any other changes to IFRS that may be proposed in the future, whether or not specifically targeted at insurance companies, could adversely affect the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.

**3.7 Codan Denmark's financial statements and other financial information related to Codan Denmark presented in this prospectus have been based on assumptions of which of Codan Forsikring's assets and liabilities are part of the Codan DK Business and accordingly will be a part of the Enlarged Group following completion of the Acquisition. If these assumptions are incorrect, the financial statements and other financial information related to Codan Denmark presented in this prospectus may not be representative of their results as part of the Enlarged Group.**

Following Tryg's and Intact's acquisition of RSA, RSA Scandinavia was carved-out from the RSA Group with effect from 1 June 2021. As at the Prospectus Date the contemplated Demerger expected to be executed by H1 2022 has not yet been executed and hence Codan Denmark is included into the business of Codan Forsikring together with the businesses of Codan Norway and Trygg-Hansa. Following the contemplated Demerger, Codan Norway and Trygg-Hansa will be transferred to Tryg, and Codan Denmark will be transferred to Chopin Forsikring, the shares

of which will afterwards be transferred to the Company at completion of the Acquisition (expected during H1 2022). Following the Demerger, Chopin Forsikring will be the legal entity holding Codan Denmark and the necessary license by the Danish FSA for conducting insurance business as granted by the Danish FSA on 30 September 2021.

As Codan Denmark has not constituted a separate legal entity or group for which consolidated financial statements have been prepared for the periods presented in this Prospectus, the Combined Carve-Out Financial Statements of Codan Denmark have been derived from the consolidated financial statements of the RSA for the financial years 2020, 2019 and 2018 and from the underlying accounting records of RSA Scandinavia for the interim periods Q1 – Q3 2021 and Q1 – Q3 2020. These Combined Carve-Out Financial Statements have been prepared and audited (reviewed for Q1 – Q3 2021 and Q1 – Q3 2020 neither audited or reviewed) based on assumptions of which assets and liabilities will be part of Codan Denmark subsequent to the Demerger according to Share Purchase Agreement between the Company and the Seller, Intact and Tryg and further assumption on the hypothetical, historical split of the business of RSA Scandinavia between Codan Denmark and Codan Norway and Trygg-Hansa. Furthermore, the Share Purchase Agreement include provision for capital adjustments that based on current estimates preliminary has been included as pro forma adjustments in the unaudited pro forma financial information. The actual allocation of assets and liabilities including capital adjustments upon execution of the Demerger by H1 2022 may differ from the assumptions applied in the Combined Carve-Out Financial Statements and estimates made on capital adjustments in the pro forma financial information. Accordingly, the historical financial performance of Codan Denmark presented in this Prospectus may not together with the pro forma financial information accurately present the business acquired and may not be indicative of the Enlarged Group's performance and financial position following completion of the Acquisition. Such impact could have an adverse effect on presentation of the Enlarged Group.

#### **4. RISKS RELATED TO THE OFFERING AND EXISTING SHARES**

##### **4.1 Due to the Offering, the prices of the Existing Shares, the Pre-emptive Rights and the New Shares may be volatile regardless of the Group's or the Enlarged Group's operating performance and results; the stock market in general may experience considerable volatility and investors may not be able to sell Shares at or above the Subscription Price.**

The market price of the Existing Shares, the New Shares and the Pre-emptive Rights may be volatile and affected by numerous factors in addition to the risks described elsewhere in this Prospectus, many of which are beyond the Company's control, including the overall performance of the Danish and global stock markets, the global economy as a whole, circumstances, trends or changes in the markets in which the Group operates and outside systemic factors such as the outbreak of the COVID-19.

In terms of the Offering and the Acquisition, declines in the market price of the Company's shares were seen following announcement of the Acquisition. Further such declines could occur in the future in response to factors such as; (i) if the Acquisition fails to complete in time or at all; (ii) large sales or purchases of Existing Shares, New Shares or Pre-emptive Rights (including

as a result of speculative activity or the Association's sales of Existing Shares, New Shares or Pre-emptive Rights) and (iii) following completion of the Acquisition, changes in expectations or variations in actual results of operations during the Enlarged Group's reporting periods; changes in financial estimates by financial analysts compared to prior to the Offering, market rumours; changes in the market valuation of comparable companies; changes in laws and regulations applicable to any of the companies within the Enlarged Group and the public's response to the Company's company announcements, press releases or other public announcements by the Enlarged Group. Any of these and other events could adversely affect the price of the Existing Shares, the New Shares and the Pre-emptive Rights.

There can be no assurance that the public trading market price of the Shares will not decline below the Subscription Price. Should that occur, relevant Shareholders will suffer an immediate, unrealised loss as a result. Moreover, there can be no assurance that, following investors' or Shareholders' acquisition of New Shares, investors or Shareholders will be able to resell their Shares at a price equal to or greater than the acquisition price for the New Shares, and there can be no assurance that investors or Shareholders may not experience a loss when attempting to do so.

**4.2 Following completion of the Acquisition, the Association, currently being the Company's majority shareholder, will continue to be a large shareholder and may control or otherwise substantially influence the Enlarged Group and the Association's interests may conflict with those of other Shareholders.**

Prior to the announcement of the Acquisition, the Association had an ownership of approximately 58.2% of Company's share capital and voting rights. Historically, the Association has accounted for over 50% of the votes and share capital present at the Group's general meetings.

On 26 August 2021, the Association sold 21,000,000 Existing Shares in the Company equivalent to 13.6% of share capital of the Company to institutional investors pursuant to an accelerated bookbuild offering. The accelerated bookbuild offering resulted in the Association reducing its interest in the Company to approximately 44.6% of the Existing Shares.

In connection with the Offering and the Underwriting Agreement, the Association has provided an irrevocable subscription undertaking to the Company and the Managers as described in Part I, section 21.2.2 – "Material " – "Summary of material contracts relating to the Offering" – "Irrevocable subscription undertaking by the Association". In addition, in connection with the Acquisition and the Share Purchase Agreement, the Association has provided an irrevocable subscription and voting undertaking to the Seller and the Managers as described in Part I, section 21.1.3 – "Material " – "Summary of material contracts relating to the Acquisition" – "Irrevocable undertaking to the Seller and the Managers".

Following completion of the Offering (including the Association's cash neutral participation), the Association is expected to hold approximately 44.6% of the Company's share capital and voting rights based on a pro rata participation in the Offering. The Association may in the future increase its percentage of ownership either through the purchase of Shares in the open market or by not participating in any future share buyback programmes launched by the Company.

Depending on general attendance at, or voting in writing prior to, the Company's general meetings, the Association will likely, following completion of the Acquisition, continue to have a controlling influence over decisions requiring a simple majority of the voting rights and the share capital represented at the general meetings. Such decisions include, among other things, the election and dismissal of the members of the Board of Directors. Further, depending on general attendance at, or voting in writing prior to, the Company's general meetings, the Association may also hold two-thirds or more of the voting rights and the share capital represented at the general meetings and thereby have a controlling influence over decisions requiring a two-thirds majority. These include amendments to the Company's articles of association.

The purpose of the Association as formally stated in its articles of association is to maintain and continue the Company's business as a financial company through the ownership of shares in the Company and thereby – directly or indirectly – own shares in one or more companies engaged in financial activities, including insurance business and banking business and other business, which at the board of directors' discretion is related thereto. The aim is to secure the members' long-term interests by continuing the Company as an active, competitive financial company on the Danish market. To the extent that the interests of the Association may differ from the interests of the Company's other Shareholders, its other Shareholders may be disadvantaged by any actions that the Association may seek to pursue.

Although the Management expects the Association to support the Enlarged Group's interests and proposed measures, the Association may have obligations or interests that are suitable for the Association but that will conflict with the Enlarged Group's interests, including other Shareholders' interests. Certain members of the Board of Directors also serve as members of the board of directors of the Association and will have obligations to both the Enlarged Group and the Association and may have conflicts of interest with respect to matters potentially involving or affecting the Enlarged Group. For further details, see Part I, section 15 – "Board of Directors and Executive Management".

Lastly, the concentration of share ownership could also have the effect of delaying, postponing or preventing a change of control in the Enlarged Group, and may impact consolidations, acquisitions or other forms of combinations, which may or may not be desired by other Shareholders.

No assurances can be given that the interests of the Association will not differ from the interests of other Shareholders of the Group. The interests of the Association may not be aligned with the interests of minority Shareholders. See details on the Association, see Part I, section 16 – "Major shareholders".

#### **4.3 Shareholders who do not (or are not permitted to) exercise any or all of their Pre-emptive Rights will experience dilution in their ownership of the Group and, following completion of the Acquisition, the Enlarged Group.**

If Shareholders do not exercise their Pre-emptive Rights under the Offering or are not eligible to participate in the Offering, such Shareholders' ability to subscribe for New Shares will lapse. Given the size of the Offering compared to the existing share capital of the Company, Shareholders' proportionate ownership and voting interests in the Group, and following completion of the Acquisition, in the Enlarged Group, may be reduced significantly and the percentage that



their New Shares will represent of the total issued share capital of the Enlarged Group may be reduced significantly if they do not exercise their Pre-emptive Rights under the Offering or are not eligible to participate in the Offering. For further details on dilution, see Part II, section 29 – "Dilution".

Upon expiry of the lock-up period, the Company may, subject to appropriate corporate approvals, freely issue further shares and other securities, which may cause a decrease in the price of the Shares and the shareholdings of Shareholders being diluted.

Any consideration received in connection with selling Pre-emptive Rights may not be sufficient to compensate that Shareholder fully for the dilution of their percentage ownership of the Group's and, subject to completion of the Acquisition, the Enlarged Group's, share capital that may be caused as a result of the Offering. Dilution may also result from future issuances of shares by the Company, subject to appropriate corporate approvals.

**4.4 It may be difficult or impossible for investors outside Denmark to serve process on or enforce judgments against the Enlarged Group in connection with the Offering.**

The Group is, and following completion of the Acquisition, the Enlarged Group will be a public limited liability company incorporated in Denmark. The rights of holders of Shares and Pre-emptive Rights are governed by Danish law and by the Articles of Association. These shareholder rights may differ from the typical rights of shareholders in the United States and other jurisdictions. As a result, it may be difficult or impossible for investors to serve process on the Enlarged Group or enforce judgments against the Enlarged Group outside of Denmark in connection with the Offering.

In addition, all of the Enlarged Group's directors and officers will be residents of countries other than the United States. All or a substantial portion of the assets of such non-resident persons and of the Enlarged Group's assets will be located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Enlarged Group, or to enforce against them in U.S. courts, judgments obtained in such courts based upon the civil liabilities provisions of the federal securities laws of the United States or otherwise.

**4.5 The Company may not be able or may decide not to pay dividends at a level anticipated by Shareholders on its Shares, which could reduce investors' return on Shares.**

The Company's ability to pay dividends on the Shares will be dependent upon the availability of distributable reserves. The Company has defined a target for ordinary dividend corresponding to a pay-out ratio of at least 70% of the profit for the year after tax. However, such distribution will be subject to the Board of Directors' assessment, including the assessment of any increased capital requirement over the following years, either due to planned activities, special risks or a shortfall in earnings. The ordinary dividend is paid out on an annual basis. For further details on the Company's dividend policy, see Part I, section 18 – "Dividends and dividend policy".

As a financial insurance holding company, the Company's ability to pay dividends in the future is affected by a number of factors, including especially its ability to receive sufficient dividends from its subsidiaries. The payment of dividends by subsidiaries is, in turn, subject to restrictions, including the existence of sufficient distributable reserves and cash in those subsidiaries. These restrictions could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could restrict its ability to pay dividends to its Shareholders.

In addition, the Company's ability to declare dividends and the ability of its subsidiaries to pay dividends may be restricted to protect the security of policyholders, as applicable regulations prohibit the payment of dividends.

The actual payment of future dividends, if any, and the amounts thereof, will depend upon a number of factors including, but not limited to, the regulatory guidance in response to COVID-19, the amount of the Group's, and following completion of the Acquisition, the Enlarged Group's distributable profits and reserves on an unconsolidated basis, the Group's, and following completion of the Acquisition, the Enlarged Group's capital expenditure and investment plans, earnings, level of profitability and ratio of debt to equity. Further, the actual payment of future dividends, if any, and the amounts thereof will depend on the Group's, and following completion of the Acquisition, the Enlarged Group's debt ratings, applicable restrictions on the payment of dividends under Danish and other applicable law, recommendations of the Danish FSA and EIOPA as experienced in the financial year 2020, see also Part I, section 18.5 – "Dividends and dividend policy" – "Other requirements", the level of dividends paid by other comparable listed companies doing business in Scandinavia, especially in Denmark, and elsewhere and such other factors as the Board of Directors may deem relevant.

There can be no assurance or guarantee that the Group's and, following completion of the Acquisition, the Enlarged Group's consolidated revenue, profit and cash flow may enable or support the payment of dividends and as a result, the Group's and, following completion of the Acquisition, the Enlarged Group's ability to pay dividends in the future may be limited or the Board of Directors may choose to change the Company' dividend policy including in response to present or future rules, guidelines or recommendation issued by competent authorities with jurisdiction over the members of the Group and, following completion of the Acquisition, the Enlarged Group.

#### **4.6 The Offering may not be completed and may be withdrawn.**

The Offering may not be completed or may be withdrawn by the Company during the period leading up to registration of the New Shares and the capital increase with the Danish Business Authority.

The Underwriting Agreement provides that the obligations of the Managers are subject to the following conditions, excluding any conditions which have been satisfied as at the Prospectus Date. Reference is made to Part I, section 21.1 – "Material " – "Summary of material contracts relating to the Acquisition" for further details on such conditions. If, by the times specified above, or if no time is specified, prior to registration of the New Shares with the Danish Business Authority, any of the conditions above is not satisfied (or waived by the Joint Global Coordinators, on behalf of the Managers), including if the necessary regulatory approvals from the Danish

FSA and the Danish Competition and Consumer Authority, the Joint Global Coordinators, on behalf of the Managers, will be entitled to terminate the Underwriting Agreement. In addition, the Joint Global Coordinators, on behalf of the Managers, will be entitled to terminate the Underwriting Agreement in the event that the registration of the New Shares is refused by the Danish Business Authority. Any termination rights of the Managers under the Underwriting Agreement will lapse upon registration of the New Shares with the Danish Business Authority, currently expected to take place on 2 December 2021.

If the Underwriting Agreement is terminated by the Joint Global Coordinators, on behalf of the Managers, the Offering will be withdrawn.

If the Offering is not completed, any exercise of Pre-emptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs) to the last registered owner of the Interim Shares as at the date of withdrawal. All Pre-emptive Rights will be null and void, and no New Shares will be issued. However, trades of Pre-emptive Rights executed during the Rights Trading Period will not be affected. As a result, Existing Shareholders and investors who purchase Pre-emptive Rights will incur a loss corresponding to the purchase price of the Pre-emptive Rights and any transaction costs.

Trades in Existing Shares will also not be affected if the Offering does not complete. The owner of the Interim Shares will receive a refund of the subscription amount for the New Shares (less any transaction costs). As a result, investors will incur a loss corresponding to the difference between the purchase price of the Interim Shares and the Subscription Price for the New Shares and any transaction costs.

Any withdrawal of the Offering will be announced in a company announcement on Nasdaq Copenhagen.

In addition, the Underwriting Agreement provides that, unless the Company and the Managers agree otherwise, any Manager may require that the number of Remaining Shares to be delivered to such Manager is reduced by a number of Remaining Shares to the effect that the acquisition of Remaining Shares by such Manager will not be subject to obtaining approval from the Danish FSA pursuant to section 61 of the Danish Financial Business Act, provided that if so requested by a Manager, such Manager shall, subject to certain conditions, prior to closing of the Acquisition but not earlier than 15 March 2022, subscribe for the remaining part of the Remaining Shares at the same terms ensuring that the Company will ultimately receive gross proceeds of DKK 10,472,046,300.

Should the Offering not be completed or be withdrawn, the Group will be liable to bear a part of the costs and fees related to the Offering, including the Group's adviser costs, which could have a material adverse effect on the Group's cash flows, business, financial condition, results of operations and prospects.

**4.7 The market for the Pre-emptive Rights may be limited and may only offer limited liquidity, and if a trading market develops, the price of the Pre-emptive Rights and the Shares may be subject to greater volatility.**

Those who are registered as Shareholders in the Company in VP Securities at the Allocation Time will receive Pre-emptive Rights in proportion to their holding of Existing Shares. The Pre-emptive Rights are expected to have an economic value that the holder can only benefit from if he or she either exercises the Pre-emptive Rights to subscribe for New Shares no later than by the end of the Subscription Period or sells them no later than by the end of the Rights Trading Period. If a holder fails to exercise its Pre-emptive Rights prior to 26 November 2021 at 5:00 p.m. CET or fails to sell them no later than 24 November 2021 at 5:00 p.m. CET, the Pre-emptive Rights will lapse with no value, whereby the holder completely loses the expected financial value of the Pre-emptive Rights.

The market price and thereby the final value of the Pre-emptive Rights depends on the price of the Existing Shares. A decline in the price of the Existing Shares could have an adverse effect on the value and market price of the Pre-emptive Rights.

The Rights Trading Period, during which the Pre-emptive Rights can be traded on Nasdaq Copenhagen, commences on 11 November 2021 at 9:00 a.m. CET and closes on 24 November 2021 at 5:00 p.m. CET. Given the size of the Offering, and thus, the number of allocated Pre-emptive Rights, there can be no assurance that a market for the Pre-emptive Rights will develop when they are initially traded on Nasdaq Copenhagen, and if such a market develops, the Pre-emptive Rights may not be effectively priced against the price of the Existing Shares and may be subject to greater volatility given that the trading price of the Pre-emptive Rights depends on the trading price of the Existing Shares. In addition, in the event that the Existing Shareholders sell their Pre-emptive Rights, this could result in a significant decline in the market value of the Pre-emptive Rights and result in higher volatility of the Pre-emptive Rights as well as the Existing Shares.

Further, the Pre-emptive Rights will be subject to time-limited trading on Nasdaq Copenhagen. Trading in these instruments may be limited as no market or only a limited market can be expected to exist in relation to the Pre-emptive Rights, which could make it difficult for individual holders to sell their Pre-emptive Rights and thus prevent the holder from being compensated for the dilutive effect that the Offering will have.

**4.8 Trading in the Shares on or around the last trading day in Existing Shares including Pre-emptive Rights and the Allocation Time of Pre-emptive Rights may not provide investors the right to receive Pre-emptive Rights in accordance with the timetable for the Offering.**

The Existing Shareholders will be determined as the shareholders in the Company registered in VP Securities as of the Allocation Time on 12 November 2021 at 5:59 p.m. CET. According to the currently expected timetable, any trading in Shares prior to the last trading day in Existing Shares including Pre-emptive Rights on 11 November at 5:00 p.m. CET, will include rights to receive Pre-emptive Rights in the Company in connection with the Offering. However, a buyer of Shares prior to the last trading day in Existing Shares including Pre-emptive Rights will not receive Pre-emptive Rights if the registration in VP Securities of that particular trade in Shares does not take place until after the Allocation Time of Pre-emptive Rights. This may be the case if one or both parties to the trade is or will become a shareholder registered through a nominee or omnibus account and the trade in question, therefore, has to be registered through one or

more custody banks prior to registration of the party in question with VP Securities and the parties to the trade may not be aware as to whether they are or will become a shareholder in the Company registered through a nominee or omnibus account.

Any trading in Existing Shares after the last trading day in Existing Shares including Pre-emptive Rights on 10 November 2021 at 5:00 p.m. CET will be exclusive of rights to receive Pre-emptive Rights in the Company for the buyer due to the customary settlement cycle with settlement occurring two trading days after the transaction date. However, a shareholder in the Company who sells its Shares after the last trading day in Existing Shares including Pre-emptive Rights, may not be the allocated Pre-emptive Rights on those Shares, if the parties to the trade in question have taken specific measures to settle the trade quicker than the customary two-day settlement cycle thus allowing for the buyer to become a registered holder of Shares in VP Securities on the Allocation Time. The buyer and seller should in such trade be aware that the value of the right to receive Pre-emptive Rights for the buyer will likely not be reflected in the trading price of the Share on Nasdaq Copenhagen after the Allocation Time, since such trading price is likely based on the customary two-day settlement cycle.

**4.9 The Company may be or become a passive foreign investment company, which could cause U.S. Holders to be subject to adverse U.S. federal income tax consequences.**

A non-U.S. corporation will be a passive foreign investment company ("PFIC") in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the value of its assets (generally determined based on an average of the quarterly values of the assets during a taxable year) consists of assets that produce passive income or are held for the production of passive income.

Although passive income generally includes dividends, interest, rents, royalties and gains on assets that generate such income, special rules allow a qualifying insurance company ("QIC") to treat as non-passive certain income derived by it in the active conduct of an insurance business. To qualify for these rules, a non-U.S. corporation generally must satisfy a number of requirements regarding its applicable insurance liabilities and certain insurance business functions (such as underwriting, investment, contract and claims management, and sales activities). Complex rules also apply to determine the extent to which the income and assets of a QIC and its subsidiaries will be treated as non-passive. Many of the special rules applicable to QICs were only recently published in final form or are in proposed form, have not yet taken effect, and are subject to further change. As a result, there is limited authoritative guidance regarding the application of these QIC rules to insurance companies.

The Company believes that it currently meets the requirements to qualify as a QIC and does not expect to be a PFIC for the current taxable year. However, the analysis is facts-intensive and the application of the PFIC rules to QICs is subject to uncertainties and will be made by applying principles and methodologies that are in some circumstances unclear. Moreover, the Company's possible status as a PFIC for any taxable year is an annual determination that can be made only after the end of the relevant taxable year and will depend on the composition of its income and assets, the value of its assets and the manner in which it operates its business,

which may be subject to change. Accordingly, no assurance can be provided that the Company will not be a PFIC for its current or any future taxable year. The Company does not intend to conduct any annual assessments of its PFIC status.

If the Company were to be treated as a PFIC in any year, U.S. investors generally would be subject to adverse U.S. federal income tax consequences, including having dividends or other distributions from the Company or gains from the sale of Pre-emptive Rights or New Shares subject to U.S. federal income taxes that are higher than would be required if the Company were not a PFIC. See Part II, section 24.5 – "Information concerning the New Shares" – "Tax warnings".

## GENERAL INFORMATION

This Prospectus has been prepared in accordance with the simplified disclosure regime for secondary issuances as set out in Article 14 of the Prospectus Regulation, and hence, Annex 3 (Registration document for secondary issuances of equity securities) and Annex 12 (Securities note for secondary issuances of equity securities or of units issued by collective investment undertakings of the closed-end type) to the Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019. Further, this Prospectus contains pro forma information prepared in accordance with Annex 20 (Pro forma information) and information about Codan Denmark and Codan Forsikring prepared in accordance with Annex 1 (Registration document for equity securities) to the Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019 according to Section 3, Article 18 of the Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019. This Prospectus is governed by Danish law.

References in this Prospectus to the "Company" are references to Alm Brand A/S, CVR no. 77333517, and references to the "Group" are references to Alm. Brand A/S together with its consolidated subsidiaries, unless the context requires otherwise. The "Enlarged Group" refers to the Group and Codan Denmark following a completion of the Acquisition. References to the "Association" are references to the largest shareholder of Alm. Brand A/S, Alm. Brand af 1792 fmba, CVR no. 26663660, holding approximately 44.6% of the share capital and voting rights of Alm. Brand A/S. See Part III, section "Definitions and glossary" for a list of terms and definitions frequently used in this Prospectus.

J.P. Morgan AG and Nordea Danmark, filial af Nordea Bank Abp, Finland are acting as Joint Global Coordinators and Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ), Sverige (SEB Corporate Finance) and Danske Bank A/S are acting as Joint Bookrunners in connection with the Offering and will receive remuneration from the Company for its services. In the course of its usual business activities, the Joint Global Coordinators and Joint Bookrunners or certain companies affiliated with it may have provided and may in the future provide investment banking advice and carry-on normal banking business with the Company and any subsidiaries and affiliates. The members of the Managers are acting exclusively for the Company and no one else in connection with the Offering, and they will not regard any other person as their respective clients in relation to the Offering.

This Prospectus is not intended to provide the basis of any credit or any other evaluation and should not be considered as a recommendation or invitation by the Company or the Managers that any recipient of this Prospectus should acquire or exercise any Pre-emptive Rights or subscribe for any Interim Shares or New Shares. Each prospective investor should determine for itself the relevance of the information contained in this Prospectus, and any acquisition or exercise of the Pre-emptive Rights or subscription of the Interim Shares or the New Shares should be based upon such information as it deems necessary.

The information contained in this Prospectus has been provided by the Company and by other sources identified herein. The Managers make no representation or warranty, whether expressed or implied, as to the accuracy or completeness of the information contained in the Prospectus. Nothing contained in this Prospectus is or may be relied upon as a promise or representation by the Managers in this respect, whether as to the past or the future. The Managers assume no responsibility for the accuracy or completeness of the Prospectus and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which the Managers may otherwise be found to have in respect of this Prospectus or any such statement.

Neither the delivery of this Prospectus nor the exercise of Pre-emptive Rights or the subscription of the Interim Shares or the New Shares will create any implication that the information contained herein is correct as at any time subsequent to the Prospectus Date. Any material changes in connection with the information in this Prospectus which may affect the evaluation of the Pre-emptive Rights, the New Shares and/or the Existing Shares, which occur or are ascertained between the time of approval of this Prospectus and the final completion of the Offering or the commencement of trading on Nasdaq Copenhagen, will be published as a supplement pursuant to applicable securities rules and legislation. Investors who have accepted to exercise Pre-emptive Rights prior to publication of the supplement will be entitled to withdraw their acceptance for two trading days after the publication of such supplement.

Further, investors acknowledge that they have not relied on the Managers, or any person affiliated with the Managers, in connection with an investigation of the accuracy of any information contained in this Prospectus or their investment decision. Investors also acknowledge that they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Group, the Pre-emptive Rights, the Interim Shares or the New Shares other than contained in this Prospectus, and, if given or made, any such information or representation should not be relied upon as having been authorised by the Company or the Managers.

Prospective purchasers of Pre-emptive Rights, the Interim Shares and/or subscribers of New Shares should make an independent assessment as to whether the information in this Prospectus is relevant, and any purchase of Pre-emptive Rights, Interim Shares and/or subscription of New Shares should be based on the examinations that the prospective purchasers and/or subscribers may deem necessary.

The Prospectus may not be forwarded, reproduced or otherwise redistributed, in whole or in part, by anyone but the Company and the Managers. Investors may not reproduce or distribute this Prospectus, in whole or in part, and investors may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than for considering the purchase of Pre-emptive Rights, the Interim Shares and/or the subscription of New Shares described in this Prospectus. Investors agree to the foregoing by accepting delivery of this Prospectus.

The Offering will be subject to Danish law, and neither the Company, nor the Managers, have taken and will not take any action in any jurisdiction, except for Denmark which may result in a public offering of Pre-emptive Rights, the Interim Shares and/or New Shares. Further, neither the Company nor the Managers or any of their respective representatives, will make any representation to any offeree or purchaser of the Pre-emptive Rights, the Interim Shares or the New Shares regarding the lawfulness of an investment in the Pre-emptive Rights, the Interim Shares or the New Shares by such offeree or purchaser under the legislation applicable to such offeree or purchaser. All prospective subscribers and purchasers should individually examine the legal basis and consequences of the Offering, including any tax issues and currency restrictions that may be relevant in connection with the Offering. Further, all investors should individually examine the legal basis, including tax consequences of an investment in Pre-emptive Rights, the Interim Shares and the New Shares or the trading in Pre-emptive Rights or the Interim Shares, through their own advisers. This Prospectus does not constitute an offer of or an invitation to purchase any Pre-emptive Rights or purchase or subscribe for any Interim Shares or New Shares in any jurisdiction in which such offer or invitation would be unlawful.



Furthermore, the Pre-emptive Rights, the Interim Shares and the New Shares are subject to transfer and selling restrictions in certain jurisdictions. See Part II, section 25 – "Terms and conditions of the Offering" for further information on transfer and selling restrictions. Prospective purchasers of Pre-emptive Rights and/or subscribers of the Interim Shares or the New Shares must comply with all applicable rules and legislation in countries or territories in which they acquire, subscribe for, offer or sell Pre-emptive Rights, Interim Shares and/or New Shares or possess or distribute this Prospectus and must obtain necessary consent, approval or permission, as required, for the acquisition of the Pre-emptive Rights, the Interim Shares or the New Shares. Any person into whose possession this Prospectus may come are required by the Company and the Managers to inform themselves about such restrictions and to observe such restrictions. Neither the Company, the Company's auditors, nor any other independent accountants nor the Managers accept liability for any violation of these restrictions by any person, irrespective of whether such person is an Existing Shareholder or a potential purchaser of Pre-emptive Rights, the Interim Shares and/or subscriber of the New Shares.

In connection with the Offering, the Managers and any of their respective group enterprises, acting as an investor for their own account, may take up New Shares in the Offering and, in that capacity, may retain, purchase or sell for its own account such securities and New Shares or other investments, except in connection with the Offering. Accordingly, any reference in the Prospectus to New Shares being offered or placed should be read as including any offering or placement of New Shares to the Managers or any of their group enterprises acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

### **Presentation of financial statements and other information**

Certain accounting and statistical figures in this Prospectus have been subject to rounding adjustments. Accordingly, the sum of these figures is not necessarily equivalent to the total amount stated. In addition, certain percentage figures reflect calculations based on the underlying information prior to rounding and, accordingly, the percentage figures may not necessarily be exactly equivalent to the figures that would be derived if the relevant calculations were based upon the rounded numbers.

The audited Consolidated Financial Statements of the Group as of and for the years ended 31 December 2020, 31 December 2019, and 31 December 2018 and the unaudited but reviewed Q1 – Q3 2021 Interim Condensed Consolidated Financial Statements of the Group with comparative figures for the period Q1 – Q3 2020 that have not been audited or reviewed are included in the Prospectus by reference.

The Prospectus also includes unaudited Pro Forma Financial Information as the Transaction constitutes a "significant gross change" according to the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019. The Pro Forma Financial Information presents the hypothetical effect as if the Acquisition and the Divestment have been carried out as of the dates stated. In addition, pro forma information appears in other places of the Prospectus, including under heading "Business overview of the Group", "Business overview of Codan Denmark", "Operating and financial review of Codan Denmark", "Risk management" and "Capitalisation and indebtedness". The Pro Forma Financial Information and other pro forma information are subject to a number of uncertainties. The Pro Forma Financial Information is accompanied by a report issued by Deloitte Statsautoriseret Revisionspartnerselskab.

Apart from the 2020 Consolidated Financial Statements, 2019 Consolidated Financial Statements and the 2018 Consolidated Financial Statements, the Prospectus does not contain financial information of the Group which has been audited.

Further, this Prospectus also includes the audited Combined Carve-Out Financial Statements of Codan Denmark as of and for the years ended 31 December 2020, 2019 and 2018 audited by KPMG Statsautoriseret Revisionspartnerselskab and unaudited Q1 – Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark, reviewed by KPMG Statsautoriseret Revisionspartnerselskab with comparative figures for the period Q1 – Q3 2020, which are not audited or reviewed.

The 2020, 2019 and 2018 Combined Carve-out Financial Statements of Codan Denmark is included in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018", and the Q1 – Q3 2021 Carve-Out Financial Statements of Codan Denmark with comparative figures for the period Q1 – Q3 2020 are included in Part IV, section 2 – "Codan Denmark Combined Carve-Out Interim Condensed Financial Statements for the Financial period ended 30 September 2021".

Reference is made to Part I, section 4 – "Presentation of financial information" for further details about the financial information included in this Prospectus.

#### **Enforcement of civil liabilities and service of process**

The Company is a public limited liability company organised under Danish law. Members of Management are residents of Denmark, and all or a substantial share of assets of the Company and such persons are located in Denmark. As a result, it may not be possible for investors to effect service of process upon such persons or the Company outside Denmark or to enforce judgments obtained in courts outside Denmark based on applicable legislation in jurisdictions outside Denmark against such persons or the Company.

The Company's Management all reside in countries outside of the United States, and all of the Company's assets are located outside of the United States. As a result, it may not be possible for investors to effect service of process upon the Company, or such directors and officers or to enforce against any of the aforementioned parties a judgement obtained in a United States court. Original actions, or actions for the enforcement of judgements of United States courts, relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Denmark. The United States and Denmark do not have a treaty providing for reciprocal recognition and enforcement of judgements, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgement for the payment of money rendered by a United States court based on civil liability will not be directly enforceable in Denmark. However, if the party in whose favour such final judgement is rendered brings a new lawsuit in a competent court in Denmark, that party may submit to the Danish court the final judgement that has been rendered in the United States. A judgement by a federal or state court in the United States against the Company or any of the Company's directors and officers will neither be recognized nor enforced by a Danish court, but such judgement may serve as evidence in a similar action in a Danish court.

### **Third-party information**

This Prospectus does not contain any expert statement or report. This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Unless otherwise indicated, such information is based on the Company's analysis of multiple sources, including public market studies.

While the Company can confirm that information from external sources has been accurately reproduced, the Company has not independently verified and cannot give any assurances as to the accuracy of market data as presented in this Prospectus that was extracted or derived from these external sources. As far as the Company is aware and able to ascertain from this information, no facts have been omitted which would render the information provided inaccurate or misleading.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents.

Neither the Company nor the Managers make any representations as to the accuracy of such information that was extracted or derived from these external sources. Thus, any development in the Group's activities may deviate from the market developments stated in the Prospectus. The Company and the Managers do not assume any obligation to update such information. If information has been obtained from third parties, the Company confirms that such information has been accurately reproduced and that, to the best of the Company's knowledge and belief and in so far as can be ascertained from the information published by such third-party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in "Risk Factors" and those included elsewhere in this Prospectus.

## **I. COMPANY INFORMATION**

### **1. AUDITORS**

The Company's independent auditors, elected at the annual general meeting 2021, are:

EY Godkendt Revisionspartnerselskab  
CVR no. 30700228  
Dirch Passers Allé 36  
DK-2000 Frederiksberg

Represented by State-Authorised Public Accountants Lars Rhod Søndergaard (MNE-no. 28632) and Thomas Hjortkjær Petersen (MNE-no. 33748).

Up until 2020 Deloitte Statsautoriseret Revisionspartnerselskab has been the independent auditor of the Group. Due to mandatory firm rotation stipulated by EU regulation, EY Godkendt Revisionspartnerselskab has been elected as the Group's independent auditor from 2021.

As such, the Group's 2020 Consolidated Financial Statements and 2019 Consolidated Financial Statements were audited by Deloitte Statsautoriseret Revisionspartnerselskab represented by State-Authorised Public Accountants Anders Oldau Gjelstrup (MNE-no. 10777) and Brian Schmit Jensen (MNE-no. 40050). The 2018 Consolidated Financial Statements were audited by Deloitte, Statsautoriseret Revisionspartnerselskab, CVR no. 33963556, represented by State-Authorised Public Accountants Henrik Wellejus (MNE-no. 24807) and Brian Schmit Jensen (MNE-no. 40050).

The Q1 – Q3 2021 Condensed Interim Financial Statements have not been audited but have for the purpose of this Prospectus been reviewed by Deloitte Statsautoriseret Revisionspartnerselskab, represented by State-Authorised Public Accountants Anders Oldau Gjelstrup (MNE-no. 10777) and Brian Schmit Jensen (MNE-no. 40050). The comparative figures in the Q1 – Q3 2021 Condensed Interim Financial Statements for the period Q1 – Q3 2020 have not been audited or reviewed.

Codan Forsikring's independent auditors are:

KPMG Statsautoriseret Revisionspartnerselskab  
CVR no. 25578198  
Dampfærgevej 28

DK-2100 Copenhagen

Represented by State-Authorised Public Accountants Henrik Barner Christiansen (MNE-no. 10778) and Kim Moeslund Schmidt (MNE-no. 34552).

The 2020, 2019, 2018 Combined Carve-Out Financial Statements of Codan Denmark, have for the purpose of this Prospectus been audited by KPMG Statsautoriseret Revisionspartnerselskab represented by Henrik Barner Christiansen (MNE-no. 10778) and Kim Moeslund Schmidt (MNE-no. 34552).

The Q1 – Q3 2021 Carve-Out Interim Financial Statements of Codan Denmark have not been audited but have for the purpose of this Prospectus been reviewed by KPMG Statsautoriseret Revisionspartnerselskab represented by Henrik Barner Christiansen (MNE-no. 10778) and Kim Moeslund Schmidt (MNE-no. 34552). The comparative figures in the Q1 – Q3 2021 Carve-Out Interim Financial Statements for the period Q1 – Q3 2020 have not been audited or reviewed.

The above auditors are members of FSR – Danish Auditors, the Danish association for state-authorised public accountants (*FSR – Danske Revisorer*) and licensed by the Danish FSA.

## **2. IMPORTANT NOTICE AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

### **2.1 Special notice regarding the Prospectus**

The information in the Prospectus is as of the date printed on the front of the cover, unless expressly stated otherwise being the Prospectus Date. The delivery of the Prospectus at any time does not imply that there has been no change in the Group's business or affairs since the Prospectus Date, or that the information contained herein is correct as of any time subsequent to the date hereof. In the event of any changes to the information in this Prospectus that may affect the assessment of the Pre-emptive Rights, the Interim Shares and the New Shares during the period from the date of announcement of this Prospectus to the date of completion of the Offering, such changes will be announced pursuant to the rules in the Prospectus Regulation, *inter alia*, which governs the publication of prospectus supplements.

In making an investment decision, Shareholders and investors must rely on their own assessment of the Company and the terms of this Offering, as described in this Prospectus, including the merits and risks involved. Any investment in the Pre-emptive Rights, the Interim Shares and/or the New Shares should be based on the assessments of the information in this Prospectus, including the legal basis and consequences of the Offering, and including possible tax consequences that may apply, before deciding whether to invest in the Pre-emptive Rights, the Interim Shares and/or the New Shares. Shareholders and investors should rely only on the information contained in this Prospectus, including the risk factors described herein.

No person has been authorised to give any information or make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Managers or the Company. None of the Company or the Managers accept any liability for any such information or representation.

The distribution of this Prospectus and the offer or sale of the Pre-emptive Rights, the Interim Shares and the New Shares in certain jurisdictions are restricted by law. By investing in the Pre-emptive Rights, the Interim Shares and/or the New Shares, Shareholders and investors will be deemed to have made certain acknowledgements, representations and agreements as described in this Prospectus. Shareholders and investors should be aware that they may be required to bear the financial risks of an investment in the Pre-emptive Rights, the Interim Shares and/or the New Shares for an indefinite period of time. No action has been or will be taken by the Managers or the Company to permit a public offering in any jurisdiction other than Denmark. Persons into whose possession this Prospectus may come are required by the Managers and the Company to inform themselves about and to observe such restrictions. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. For further information with regard to restrictions on offers and sales of the Pre-emptive Rights, the Interim Shares and the New Shares and the distribution of this Prospectus, see Part II, section 25.10 – "Terms and conditions of the Offering – "Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering".

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Pre-emptive Rights, the Interim Shares and/or the New Shares in any jurisdiction to any person

to whom it would be unlawful to make such an offer. This Prospectus may not be forwarded, reproduced or in any other way redistributed by anyone but the Managers and the Company.

Shareholders and investors may not reproduce or distribute this Prospectus, in whole or in part, and Shareholders and investors may not disclose the content of this Prospectus or use any information herein for any purpose other than considering the purchase of Pre-emptive Rights, the Interim Shares and the New Shares. Shareholders and investors agree to the foregoing by accepting the delivery of this Prospectus.

The Managers are acting for the benefit of the Company and no one else in relation to the Offering and the admission to trading and official listing of the Pre-emptive Rights and the New Shares on Nasdaq Copenhagen. The Managers will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Managers or for providing advice in relation to the Offering and admission to trading and official listing of the Pre-emptive Rights and the New Shares on Nasdaq Copenhagen.

## **2.2 Special notice regarding Codan Denmark**

This Prospectus contains certain information pertaining to the commercial, financial, operational and legal position of Codan Denmark which the Company has received from Codan Denmark and/or the Sellers, and/or which has been extracted from publications, reports and other documents prepared by Codan Denmark and/or the Sellers. While the Company can confirm that any information received from Codan Denmark and/or the Sellers and/or extracted from publications prepared by Codan Denmark and/or the Sellers has been accurately described and reproduced, the Company has not independently verified and consequently is not giving any assurances as to the accuracy of the information as presented in this Prospectus which has been received from, or has been extracted from publications, reports or other documents prepared by Codan Denmark and/or the Sellers.

## **2.3 Special notice regarding forward-looking statements**

Certain statements in this Prospectus constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the Group's and the Enlarged Group's anticipated or planned financial and operational performance.

The words "targets", "believes", "expects", "aims", "intends", "plans", "seeks", "will", "may", "might", "anticipates", "would", "could", "should", "estimates" or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, in the summary and under the headings "Risk Factors", "Details of the Acquisition", "Business overview of the Group", "Business overview of Codan Denmark", "Operating and financial review of the Group", "Business overview of Codan Denmark" and "Profit forecasts or estimates", and include, among other things, statements addressing matters such as:

- i) Expectations regarding regulatory and competition approvals required prior to completion of the Acquisition;
- ii) The Company's intended use of the proceeds of the Offering to fund the consideration for the Acquisition, together with the associated transaction and acquisition costs;
- iii) The anticipated benefits and cost synergies resulting from the integration of Codan Denmark;
- iv) The Company's valuation of its investment in Codan Denmark;
- v) The future impact of economic, political and other developments outside of the Company's control on the Enlarged Group's business, financial condition, results of operations and prospectus, including as a result of COVID-19 and severe weather;
- vi) The Company's expectations regarding profitability initiatives relating to its operating segments;
- vii) Expectations regarding customer retention levels in Denmark;
- viii) Expectations regarding the adequacy of underwriting assumptions going forward and trends and other variable factors impacting claims calculations;
- ix) The Company's expectations regarding its financial targets (including prospective financial information) and the achievement of its strategic initiatives and broader strategy (including realising synergies from the Acquisition); and
- x) Estimates of expenses, future revenue and capital requirements.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the Prospectus Date, such forward-looking statements are based on the Company's current expectations, estimates, forecasts, assumptions and projections about the Group's and the Enlarged Group's business and the industry in which the Group and the Enlarged Group operate are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other important factors beyond the Group's and the Enlarged Group's control that could cause the Group's and the Enlarged Group's actual results, performance, achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include the risks mentioned in the section "Risk Factors".

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Group's and the Enlarged Group's actual financial condition, cash flow or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. The Company urges its Shareholders and investors to refer to the following sections in Part I, section 3 – "Information about the Company", section 6 – "Business overview of the Group", section 7 – "Business overview of Codan Denmark", section 10 – "Operating and financial review of the Group", section 11 – "Operating and



financial review of Codan Denmark" and section 14 – "Profit forecasts or estimates" for further details on the factors that could affect the Group's and the Enlarged Group's future performance and the market in which it operates.

These forward-looking statements speak only as of the Prospectus Date. The Company does not intend, and does not assume, any obligations to update any forward-looking statements contained herein, except as may be required by law or the rules of Nasdaq Copenhagen. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained in this Prospectus.

Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forward-looking financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forward-looking financial information.

## **2.4 Special notice regarding personal data**

Those who participate in the Offering will provide personal data to the Settlement Agent. Personal data provided to the Settlement Agent will be processed in data systems to the extent required to provide services and administer matters in the Settlement Agent. Personal data obtained from a party other than the customer to whom the processing relates may also be processed.

Personal data may also be processed in data systems at companies and organisations with which the Settlement Agent cooperates. Information regarding the processing of personal data is provided by the Settlement Agent, which also accept requests for correction of personal data. Personal data may be obtained by Settlement Agent in connection with settlement of the Offering in the systems of VP Securities.

For detailed information about the Settlement Agent's handling of personal data, see Nordea's website <https://www.nordea.dk/privat/politik-om-databehandling.html>.

## **2.5 Expected timetable of principal events**

The following table presents the expected timetable of principal events related to the Offering:

**Table no. 1 – Expected timetable of principal events**

Publication of Prospectus	8 November 2021
Last day of trading in Existing Shares including Pre-emptive Rights:	10 November 2021
First day of trading in Existing Shares without Pre-emptive Rights:	11 November 2021

Rights Trading Period commences:	11 November 2021 at 9:00 a.m. CET
Allocation Time of Pre-emptive Rights	12 November 2021 at 5:59 p.m. CET
Subscription Period for New Shares commences	15 November 2021 at 9:00 a.m. CET
Rights Trading Period closes	24 November 2021 at 5:00 p.m. CET
Subscription Period for New Shares closes	26 November 2021 at 5:00 p.m. CET
Publication of the results of the Offering	30 November 2021
Registration of the capital increase regarding the New Shares with the Danish Business Authority and issuance of the New Shares through VP Securities	2 December 2021
Expected completion of the Offering	2 December 2021
Official listing of and trading of the New Shares under the existing ISIN code	6 December 2021
Merger of the interim ISIN code for the Interim Shares and the ISIN code for the Existing Shares in VP Securities	7 December 2021

The above timetable is subject to change. Any changes will be announced via Nasdaq Copenhagen.

### **3. INFORMATION ABOUT THE COMPANY**

#### **3.1 Legal name and commercial name of the Issuer**

Alm. Brand A/S  
CVR no. 77333517  
Midtermolen 7  
Postboks 2687  
DK-2100 Copenhagen Ø  
Denmark

Legal entity identifier (LEI): 549300H4TGLJVZ6VTA48  
Telephone: +45 3547 4747  
[www.almbrand.dk](http://www.almbrand.dk)

The Company's domicile is the same as its registered office above.

The information on the website does not form part of the Prospectus, is not incorporated by reference into this Prospectus, unless specifically stated in Part I, section 19.1– "Additional information" – "Financial statements", and has not been scrutinised or approved by the Danish FSA, unless otherwise specifically stated herein.

#### **3.2 Country of incorporation and governing law**

The Company is a public limited liability company incorporated in Denmark and is subject to Danish law.

## 4. PRESENTATION OF FINANCIAL INFORMATION

### 4.1 Introduction

The financial information included in (or incorporated by reference in) this Prospectus is summarised in the table below, including listing of the documents from which the financial information is based on or derived from.

Financial information for previously reported financial years and interim periods by the Group or Codan Denmark may deviate from subsequently released financial information as a result of the subsequent retrospective implementation of changes in accounting policies and other adjustments with retrospective effect in accordance with IFRS.

The consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the EU and in accordance with the Danish Executive Order on Adoption of IFRS. The Combined Carve-Out Financial Statements of Codan Denmark are prepared in accordance with IFRS as adopted by the EU, except that these Combined Carve-Out Financial Statements do not constitute general purpose financial statements under IAS 1, as Codan Denmark does not constitute a legal group as defined by IFRS 10 which as a general principle requires a parent entity to prepare consolidated financial statements under the concept of 'control'. The basis of preparation is described in note 1 to the Combined Carve-Out Financial Statements of Codan Denmark. The unaudited condensed combined pro forma financial information for the Enlarged Group has been prepared in accordance with Annex 20 of the Prospectus Regulation.

**Table no. 2 – Summary of financial information in this Prospectus**

<b>Financial information about:</b>	<b>Financial information (included elsewhere in the Prospectus or incorporated by reference)</b>	<b>Accounting principles / basis of preparation</b>
The Group	Audited consolidated financial statements as of and for the financial year ended 31 December 2020, 31 December 2019 and 31 December 2018 audited by Deloitte Statsautoriseret Revisionspartnerselskab	IFRS as adopted by the EU
The Group	Unaudited interim condensed consolidated financial statements as of and for the nine months ended 30 September 2021 reviewed by Deloitte Statsautoriseret Revisionspartnerselskab with comparative figures for the for the nine months ended 30 September 2020	IAS 34, "Interim Financial Reporting" as adopted by the EU

	(unaudited and not reviewed)	
Codan Denmark	Audited Combined Carve-Out Financial Statements as of and for the financial years ended 31 December 2020, 2019 and 2018 audited by KPMG Statsautoriseret Revisionspartnerselskab	As described in the basis of preparation
Codan Denmark	Unaudited Combined and Carve-Out Interim Condensed Financial Statements as of and for the nine months ended 30 September 2021 reviewed by KPMG Statsautoriseret Revisionspartnerselskab, with comparative figures for the nine months ended 30 September 2020 (unaudited and not reviewed)	As described in the basis of preparation
Unaudited condensed combined pro forma financial information for the Enlarged Group	Unaudited condensed combined pro forma financial information as of and for the financial year ended 31 December 2020	Annex 20 of the Delegated Prospectus Regulation
Unaudited condensed combined pro forma interim financial information for the Enlarged Group	Unaudited condensed combined pro forma financial information as of and for the financial period ended 30 September 2021	Annex 20 of the Delegated Prospectus Regulation

## 4.2 Presentation of financial information for the Group

This Prospectus incorporates by reference the Group's consolidated financial statements (including the notes thereto) as of and for the financial years ended 31 December 2020 ("2020 Consolidated Financial Statements"), 31 December 2019 ("2019 Consolidated Financial Statements") and 31 December 2018 ("2018 Consolidated Financial Statements"). All these financial statements have been prepared by the Group in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for listed financial enterprises and audited by the Company's previous independent auditor, Deloitte Statsautoriseret Revisionspartnerselskab. In the 2020 Consolidated Financial Statements with comparative numbers for 2019 Alm. Brand Bank A/S (now Syd ABB A/S) is presented as a discontinued activity due to the sale of the bank

to Sydbank A/S in November 2020, which is not the case for the Group's consolidated financial statements for 2019 and 2018.

Further, this Prospectus incorporates by reference the Group's unaudited but reviewed by Deloitte Statsautoriseret Revisionspartnerselskab condensed consolidated interim financial statements (including the notes thereto) as of and for the nine months ended 30 September 2021 with comparative figures not being audited or reviewed for the nine months ended 30 September 2020 ("Q1 – Q3 2021 Condensed Interim Financial Statements"), which were prepared by the Group in accordance with IAS 34 as adopted by the EU and additional Danish disclosure requirements for listed financial enterprises. In the Q1 – Q3 2021 Condensed Interim Financial Statements with comparative numbers for Q1 – Q3 2020, Alm. Brand Liv og Pension is presented as a discontinued activity due to the conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. In the numbers for 2020, 2019 and 2018 Alm. Brand Liv og Pension is presented as continuing activities.

The 2020, 2019 and 2018 Consolidated Financial Statements, including the related auditor's reports and the Q1 – Q3 2021 Condensed Interim Financial Statements are incorporated into this Prospectus by reference, in Part I, section 19.1 – "Additional information" – "Financial statements".

References in this Prospectus to the Group's accounting policies refer to the accounting policies applied in the 2020 Consolidated Financial Statements.

The presentation of currency is DKK for the 2020, 2019 and 2018 Consolidated Financial Statements and the Q1 – Q3 2021 Condensed Interim Financial Statements.

#### **4.3 Presentation of financial information for Codan Denmark**

As Codan Denmark has not constituted a separate legal entity or group for the historical periods presented in this Prospectus, no consolidated financial statements are available with respect to Codan Denmark for the years ended 31 December 2020, 2019, and 2018. For the purposes of this Prospectus, however, Combined Carve-Out Financial Statements of Codan Denmark have been prepared to meet the requirements of the Prospectus Regulation for the reporting period covering the years ended 31 December 2020, 2019, and 2018 ("2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark") in accordance with IFRS as adopted by the EU with the exemption described in note 1 to the Combined Carve-Out Financial Statements of Codan Denmark. As described in note 1, the Combined Carve-Out Financial Statements of Codan Denmark do not constitute a set of general-purpose financial statements under IAS 1, because Codan Denmark until the date of the Demerger does not constitute a legal entity or group as defined by IFRS 10 which as a general principle requires a parent entity to prepare consolidated financial statements under the concept of "control". Thus, the Combined Carve-Out Financial Statements of Codan Denmark do not include an unreserved statement of compliance with IFRS and are not considered first IFRS financial statements in accordance with the IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

As such, this Prospectus contains 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark, which were prepared at the request of the Management in accordance with IFRS as adopted by the EU with the exemption mentioned above and as described in note 1 to the Combined Carve-Out Financial Statements of Codan Denmark and audited by KPMG Statsautoriseret Revisionspartnerselskab independent auditors, as stated in their report appearing herein. The independent auditors report contains an emphasis of matter paragraph that draws attention to Note 1 to the Combined Carve-Out Financial Statements, which describes the Accounting policies including Basis of preparation and Basis of combination, including the approach to and purpose of preparing them. The 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark, are included in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018".

Further, this Prospectus includes unaudited Combined Carve-Out Interim Condensed Financial Statements for the period ended-30 September 2021, reviewed by KPMG Statsautoriseret Revisionspartnerselskab, which have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein, states that they did not audit and they do not express an opinion on that Combined Carve-out Interim Condensed Financial Statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The independent auditors report contains (i) an emphasis of matter paragraph that draws attention to Note 1 to the Combined Carve-out Interim Condensed Financial Statements, which describes the Accounting policies including Basis of preparation and Basis of combination, including the approach to and purpose of preparing them, and (ii) an other matter paragraph that draws attention to note 1 to the Combined Carve-out Interim Condensed Financial Statements, which states that the financial information related to the period 1 January -30 September 2020 included in the Combined Carve-out Interim Condensed Financial Statements as comparative figures, have not been reviewed or audited. The Q1 – Q3 2021 Combined Carve-Out Interim Financial Statements of Codan Denmark, including the basis of preparation, is included in Part IV, section 1 – "Codan Denmark Combined Carve-Out Interim Condensed Financial Statements for the Financial period ended 30 September 2021".

References in this Prospectus to Codan Denmark's accounting policies (basis of preparation) refer to the accounting policies applied for the 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark, refer to the Accounting policies including Basis of preparation and Basis of combination applied in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018".

The presentation currency is DKK for the 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark, and the Q1 – Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark.

The 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark and Q1 – Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark have been prepared for illustrative purposes only and addresses a hypothetical situation,

and are not necessarily indicative of the actual financial position or results of operations of Codan Denmark that would have been realised had Codan Denmark been operated on a standalone basis during the periods indicated, nor are they meant to be indicative of any anticipated financial position or future results of operations that Codan Denmark will experience going forward.

#### **4.4 Presentation of unaudited 2020 Pro Forma Financial Information and Q1 – Q3 2021 Pro Forma Financial Information**

The conclusion of agreements related to the Acquisition as further described in Part I, section 21.1 – "Material " – "Summary of material contracts relating to the Acquisition", constitutes a significant financial commitment (as that term is defined in the Delegated Prospectus Regulation) for the Company. Therefore, in this Prospectus, the Company also presents unaudited condensed combined pro forma financial information to give effect to the Acquisition and the Divestment as if the Acquisition and the Divestment had been carried out as of the previous dates set out below.

The unaudited condensed combined pro forma financial information for the Enlarged Group has been prepared and is presented for the sole purpose of giving an inherently illustrative estimated and hypothetical presentation of the Enlarged Group's assets, liabilities, financial position and results of operations assuming the Acquisition and the Divestment occurred on 31 December 2020 for purposes of the unaudited pro forma consolidated balance sheet of 31 December 2020 and on 1 January 2020 for purposes of the unaudited pro forma consolidated statement of income for the financial year ended 31 December 2020 (the "2020 Pro Forma Financial Information") and on 30 September 2021 for purposes of the unaudited pro forma consolidated balance sheet of 30 September 2021 and on 1 January 2021 for purposes of the unaudited pro forma consolidated statement of income for the period ended 30 September 2021 (the "Q1 – Q3 2021 Pro Forma Financial Information").

The 2020 Pro Forma Financial Information and Q1 – Q3 2021 Pro Forma Financial Information have been prepared in accordance with Annex 20 to the Delegated Prospectus Regulation, as amended, and in accordance with the accounting principles applied in the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2020.

The 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information have not been prepared, and shall not be construed, as having been prepared, in accordance with Article 11 of Regulation S-X under the U.S. Securities Act or the guidelines established by the American Institute of Certified Public Accountants.

The 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information reflect the application of pro forma adjustments that are based upon available information and certain assumptions described in the accompanying notes to the 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information and that the Company believes are reasonable under the circumstances. The Acquisition's and the Divestment's actual impact on the results and financial position of the Enlarged Group may materially differ from the assumptions used in the 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro



Forma Financial Information presented in this Prospectus. The 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information have been prepared by the Company for illustrative purposes only and it addresses a hypothetical situation and is not necessarily indicative of the actual financial position or results of operations of the Enlarged Group that would have been realised had the Acquisition and the Divestment occurred as at the dates indicated, nor is it meant to be indicative of any anticipated financial position or future results of operations that the Enlarged Group will experience going forward. In addition, the unaudited pro forma consolidated statements of income do not reflect any expected cost savings, synergy benefits or future integration costs that are expected to be generated or incurred.

The 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information do not include all information required to be included in financial statements prepared in accordance with IFRS and they should be read together with the historical financial information of the Group and Codan Denmark included elsewhere in this Prospectus or incorporated by reference. See also Part I, section 13 – "Unaudited Pro Forma Financial Information". The 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information included in this Prospectus is presented for illustrative purposes only and may differ materially from the actual operating results and financial position of the Group and/or the Enlarged Group following completion of the Acquisition and the Divestment.

#### **4.5 Key ratios and alternative performance measures**

The 2020 Consolidated Financial Statements, 2019 Consolidated Financial Statements, 2018 Consolidated Financial Statements and the Q1 – Q3 2021 Condensed Interim Financial Statements of the Group contain non-IFRS financial measures. In addition, the 2020 Carve-out Financial Statements of Codan Denmark, 2019 Carve-out Financial Statements of Codan Denmark, 2018 Carve-out Financial Statements of Codan Denmark, Q1 – Q3 2021 Carve-Out Financial Statements of Codan Denmark and Q1 – Q3 2020 Carve-Out Financial Statements of Codan Denmark also contain non-IFRS financial measures. The non-IFRS financial measures presented herein are not measures of financial performance under IFRS, as adopted by the EU, but are measures that are either defined under other accounting frameworks (Key ratios) or defined and used by the Management to monitor the underlying performance of the Group ("APM"). The measures defined and used by the Management may not be indicative of historical operating results, nor are such measures meant to be predictive of future results. The Management has presented these measures in this Prospectus because it believes that the use of APMs, including financial highlights and key ratios in respect of each business area, provides 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.

However, not all companies may calculate the APMs in the same manner or on a consistent basis, and, as a result, the presentation thereof may not be comparable to measures used by other companies under the same or similar names.

Accordingly, undue reliance should not be placed on the APMs contained in this Prospectus and they should not be considered as a substitute for standard financial measures in the profit

loss statement, balance sheet or cash flow statement presented in accordance with IFRS, as adopted by the EU or frameworks applied for key ratios.

The key ratios are calculated in accordance with the Danish Executive Order no. 937 of 27 July 2015 on financial reports for insurance companies and multi-employer occupational pension funds, as amended, or defined by Management as alternative performance measures (APMs).

Certain financial line items in the tables below and in section 10.8, 10.9 and 10.10 are labelled doubled with a slash ("/") between. The label before the slash applies to the number in the first column of the table and the label after the slash applies to the amount in the right column of the table. Differences in presentation relate to whether adjustments are relevant for the particular period and, accordingly, whether the figure is presented in accordance with IFRS or as an APM.

**Key ratios in accordance with the Danish Executive Order no. 937 of 27 July 2015 on financial reports for insurance companies and multi-employer occupational pension funds, as amended:**

The following financial measures included in this Prospectus are not measures of financial performance or liquidity under IFRS, as adopted by the EU but are calculated under the frameworks described above. The financial measures below are divided into financial measures applicable to non-life insurance and financial measures applicable to life insurance:

*The Group:*

**Return on equity after tax** – Return on equity after tax, as calculated by the Group, represents profit for the year after tax divided by average shareholders' equity. For interim periods the ratio is annualised.

*Non-life insurance:*

**Gross premium income** – Gross premium income, as calculated by the Group, represents gross premium written adjusted for change in gross premium provisions, change in profit margin and risk margin less bonuses and premium discounts.

**Gross claims ratio** – Gross claims ratio, as calculated by the Group, represents gross claims expenses divided by gross premium income.

**Net reinsurance ratio** – Net reinsurance ratio, as calculated by the Group, represents profit or loss from reinsurance divided by gross premium income.

**Gross expense ratio** – Gross expense ratio, as calculated by the Group, represents gross insurance operating expenses divided by gross premium income.

**Combined ratio** – Combined ratio, as calculated by the Group, represents the sum of the gross claims expenses, insurance operating expenses and profit or loss on reinsurance divided by gross premium income.

**Combined Ratio Excluding Run-off Result** – Combined ratio excluding run-off result, as calculated by the Group and Codan Denmark, represents the sum of the gross claims expenses, insurance operating expenses and profit or loss on reinsurance excluding run-off claims divided by gross premium income.

**Run-off result, claims** – Run-off result, claims, as calculated by the Group, represents the difference between the claims provisions net of reinsurance at the beginning of the financial year and the sum of the claims paid during the financial year net of reinsurance and the part of the claims provisions net of reinsurance at the end of the financial year pertaining to injuries and damage occurring in earlier financial years.

**Solvency ratio** – Solvency ratio, as calculated by the Group, expresses the solvency capital (own funds as calculated in Part I, section 23.4 – "Essential information on persons involved in the Offering, capitalisation and use of proceeds" – "Capitalisation and indebtedness") compared to the solvency requirements.

*Life insurance:*

**Bonus rates** – Bonus rates, as calculated by the Group, express the bonus potential compared to provisions.

#### **Alternative performance measures (APMs)**

The following financial measures included in this Prospectus are not measures of financial performance or liquidity under IFRS, as adopted by the EU or in accordance with the Danish Executive Order no. 937 of 27 July 2015 on financial reports for insurance companies and multi-employer occupational pension funds, as amended, but are defined by the Management as APMs. The APMs below are divided into APMs applicable to the Group, APMs applicable to non-life insurance, APMs applicable to life insurance and other relevant APMs. Management has presented these measures in this Prospectus because it considers them an important supplemental measure of its performance and believes that they are widely used by investors in comparing performance between companies in the insurance industry. The APMs are in general adjusted for the following:

- Special costs that are excluded from the APM because management believe that such measures better reflect the performance of the underlying business.
- Eliminations of cost in continuing activities against income in discontinued activities are reversed in the APMs to provide a more accurate picture of the results of the continuing activities as these costs are also expected in future. These are costs that are currently internal costs between the life and the non-life business that will continue post disposal and therefore are adjusted to present the ongoing costs of the non-life business.
- In Q1 – Q3 2021 agreed fees for administration services provided to Alm. Brand Bank A/S (now Syd ABB A/S) according to a transitional service agreement agreed with Sydbank A/S recognised under Other income, are in the APMs offset against Claims expenses and Insurance operating expenses as the purpose of the fees is to compensate the Group for

costs related to the service provide included under Claims expenses and Insurance operating expenses. Management believes that the elimination of such fees and related cost provide a more relevant presentation of the underlying non-life insurance business.

The APMs defined and used by Management are not measures meant to be predictive of future results.

Where mentioned below the APMs are also applied to the financial information of Codan Denmark.

*The Group:*

**Financial Highlights** – Throughout the Management's report, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to the Management. The differences between the financial highlights and the IFRS financial statements relate to certain changes in the presentation. Profit/loss after tax is the same in the financial highlights and in the IFRS income statement. The tables below describe the differences between the financial highlights and the IFRS financial statements, and each line item in the financial highlights is reconciled with the consolidated financial statements prepared under IFRS.

**Table no. 3 – Financial Highlights and IFRS Financial Statements (Q1 – Q3 2021)**

<b>(DKK<sup>1</sup>m)</b>	<b>IFRS</b>	<b>Special costs<sup>1)</sup></b>	<b>Financial Highlights (APM)</b>
<b>Profit/loss</b>			
Non-life insurance	650		650
Other activities (IFRS) / Adjusted other activities (APM)	-150	90	-60
<b>Profit/loss before tax, continuing activities (IFRS) / Profit/loss before tax, continuing activities excluding special costs (APM)</b>	<b>500</b>	<b>90</b>	<b>590</b>
Special costs		-90	-90
<b>Profit/loss before tax, continuing activities</b>	<b>500</b>	<b>0</b>	<b>500</b>
Tax, continuing activities	-153		-153
<b>Profit/loss after tax, continuing activities</b>	<b>347</b>	<b>0</b>	<b>347</b>
Profit/loss after tax, discontinued activities	75		75
<b>Profit/loss after tax</b>	<b>422</b>	<b>0</b>	<b>422</b>

<sup>1)</sup> Special costs are specified in table no. 9 below.

**Table no. 4 – Financial Highlights and IFRS Financial Statements (Q1 – Q3 2020)**

<b>(DKK<sup>1</sup>m)</b>	<b>IFRS</b>	<b>Reversal of eliminations<sup>1)</sup></b>	<b>Financial Highlights (APM)</b>
<b>Profit/loss</b>			
Non-life insurance	548		548
Other activities	-42		-42
Elimination	41	41	0
<b>Profit/loss before tax, continuing activities (IFRS) / Adjusted profit/loss before tax, continuing activities (APM)</b>	<b>547</b>	<b>-41</b>	<b>506</b>

Tax, continuing activities (IFRS) / Adjusted tax, continuing activities (APM)	-125	9	-116
<b>Profit/loss after tax, continuing activities (IFRS) / Adjusted profit/loss after tax, continuing activities (APM)</b>	<b>422</b>	<b>-32</b>	<b>390</b>
Profit/loss after tax, discontinued activities (IFRS) / Adjusted profit/loss after tax, discontinued activities (APM)	129	32	161
<b>Profit/loss after tax</b>	<b>551</b>	<b>0</b>	<b>551</b>

<sup>1)</sup> Eliminations of group internal costs under continuing activities against income under discontinued activities performed under IFRS are reversed to provide a more accurate picture of the results of the continuing activities as these costs are also expected in future.

**Table no. 5 – Financial Highlights and IFRS Financial Statements (2020)**

<b>(DKKkM)</b>	<b>IFRS</b>	<b>Reversal of eliminations<sup>1)</sup></b>	<b>Special costs<sup>2)</sup></b>	<b>Financial Highlights (APM)</b>
<b>Profit/loss</b>				
Non-life insurance	880			880
Life insurance	112			112
Other activities (IFRS) / Adjusted other activities (APM)	-159		98	-61
Eliminations	30	-30		0
<b>Profit/loss before tax, continuing activities (IFRS) / Adjusted profit/loss before tax, continuing activities excluding special costs (APM)</b>	<b>863</b>	<b>-30</b>	<b>98</b>	<b>931</b>
Special costs			-98	-98
Profit/loss before tax, continuing activities (IFRS) / Adjusted profit/loss before tax, continuing activities (APM)	863	-30	0	833
Tax, continuing activities (IFRS) / Adjusted tax, continuing activities (APM)	-197	7		-190
Profit/loss after tax, continuing activities (IFRS) / Adjusted profit/loss after tax, continuing activities (APM)	666	-23	0	643
Profit/loss after tax, discontinued activities (IFRS) / Adjusted profit/loss after tax, discontinued activities (APM)	-50	23		-27
<b>Profit/loss after tax</b>	<b>616</b>	<b>0</b>	<b>0</b>	<b>616</b>

<sup>1)</sup> Eliminations of group internal costs under continuing activities against income under discontinued activities performed under IFRS are reversed to provide a more accurate picture of the results of the continuing activities as these costs are also expected in future.

<sup>2)</sup> Special costs are specified in table no. 9 below.

**Table no. 6 – Financial Highlights and IFRS Financial Statements (2019 as reported in 2020)**

<b>(DKKkM)</b>	<b>IFRS</b>	<b>Reversal of eliminations<sup>1)</sup></b>	<b>Special costs<sup>2)</sup></b>	<b>Financial Highlights (APM)</b>
<b>Profit/loss</b>				
Non-life insurance (IFRS) / Adjusted non-life insurance (APM)	563		44	607
Life insurance (IFRS) / Adjusted life insurance (APM)	91		5	96
Other activities (IFRS) / Adjusted other activities (APM)	-101		15	-86
Eliminations	34	-34		0
<b>Profit/loss before tax, continuing activities (IFRS) / Adjusted profit/loss before tax, continuing activities excluding special costs (APM)</b>	<b>587</b>	<b>-34</b>	<b>64</b>	<b>617</b>
Special costs			-64	-64

Profit/loss before tax, continuing activities (IFRS) / Adjusted profit/loss before tax, continuing activities (APM)	587	-34	0	553
Tax, continuing activities (IFRS) / Adjusted tax, continuing activities (APM)	-120	7		-113
Profit/loss after tax, continuing activities (IFRS) / Adjusted profit/loss after tax, continuing activities (APM)	467	-27	0	440
Profit/loss after tax, discontinued activities (IFRS) / Adjusted profit/loss after tax, discontinued activities (APM)	-15	27		12
Profit/loss after tax	452	0	0	452

<sup>1)</sup> Eliminations of group internal costs under continuing activities against income under discontinued activities performed under IFRS are reversed to provide a more accurate picture of the results of the continuing activities as these costs are also expected in future.

<sup>2)</sup> Special costs are specified in table no. 9 below.

**Table no. 7 – Financial Highlights and IFRS Financial Statements (2019 as reported in 2019)**

<b>(DKKm)</b>	<b>IFRS</b>	<b>Special costs</b>	<b>Financial Highlights (APM)</b>
Profit/loss			
Non-life insurance (IFRS) / Adjusted non-life insurance (APM)	563	44	607
Life insurance (IFRS) / Adjusted life insurance (APM)	91	5	96
Banking (IFRS) / Adjusted banking (APM)	16	51	67
Other activities (IFRS) / Adjusted other activities (APM)	-101	15	-86
Profit/loss before tax (IFRS) / Profit/loss before tax excluding special costs (APM)	569	115	684
Special costs		-115	-115
Profit/loss before tax	569	0	569
Tax	-117		-117
Profit/loss after tax	452		452

<sup>1)</sup> Special costs are specified in table no. 9 below.

**Table no. 8 – Financial Highlights and IFRS Financial Statements (2018)**

<b>(DKKm)</b>	<b>IFRS</b>	<b>Reversal of deferred tax on customer relationship<sup>1)</sup></b>	<b>Financial Highlights (APM)</b>
Profit/loss			
Non-life insurance	652		652
Life insurance	104		104
Banking (IFRS) / Adjusted banking (APM)	-23	49	26
Other activities	-58		-58
Profit/loss before tax (IFRS) / Adjusted profit/loss before tax (APM)	675	49	724
Tax (IFRS) / Adjusted tax (APM)	-106	-49	-155
Profit/loss after tax	569	0	569

<sup>1)</sup> In 2018 Alm. Brand Bank A/S (now Syd ABB A/S) entered into an agreement to acquire the majority of Saxo Privatbank A/S' activities. At completion of the acquisition an intangible asset of DKK 223 million in respect of customer relationships and a related deferred tax liability of DKK 49 million were recognised. The acquisition resulted in a goodwill (gain from bargain purchase) of DKK 180 million that was recognised under other operation income. In the financial highlights the deferred tax on customer relationships was reversed resulting in a higher goodwill. The counter entry in financial highlights is the income tax line.

**Table no. 9 – Special costs as calculated by the Group**

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>2020</b>	<b>2019<sup>1)</sup></b>	<b>2019<sup>2)</sup></b>
Restructuring costs			34	85
Cost related to acquisition of Codan Denmark	90			
Costs related to restructuring and divestment of the bank		98		
Impairment writedown of the capitalised share of the Bankdata capital market programme			30	30
<b>Special costs</b>	<b>90</b>	<b>98</b>	<b>64</b>	<b>115</b>

<sup>1)</sup> 2019 as reported in the 2020 Consolidated Financial Statements does not include restructuring costs related to Alm. Brand Bank A/S (now Syd ABB A/S).

<sup>2)</sup> 2019 as reported in the 2019 Consolidated Financial Statements.

No special costs have been identified in 2018.

**Financial Highlights, segment reporting** – The segment reporting for Non-life Insurance and for the customer segments Private and Commercial of the Group in the Management's report and throughout Part I, section 10 – "Operating and financial review of the Group" is on a financial highlights basis. The adjustments and reconciliations on group level is explained above together with reconciliations to the consolidated financial statements prepared under IFRS or to the condensed consolidated interim financial statements prepared under IAS 34. The explanation of the adjustments and reconciliations to consolidated financial statements prepared under IFRS or to the condensed consolidated interim financial statements prepared under IAS 34 for each segment and customer segment is explained in the tables in Part I, section 10 – "Operating and financial review of the Group". The adjusted gross claims ratio, adjusted claims experience, adjusted gross expense ratio and adjusted combined ratios defined below for the Non-life insurance segment are also presented and reconciled for the Private and Commercial customer segments within section 10 "Operating and financial review of the Group". The adjusted technical result, and adjusted insurance operating expenses defined below for the Non-life insurance segment are also presented and reconciled for the Life insurance segment within section 10 "Operating and financial review of the Group".

**Adjusted insurance operating expense** – Adjusted insurance operating expense, as calculated by the Group, represents insurance operating expenses (also referred to as "acquisition costs and administrative expenses") net of special costs allocated to insurance operating expenses and for Q1 – Q3 2021 after offsetting other income against expenses allocated to insurance operating expenses.

**Adjusted return on equity of continuing activities before tax** – Adjusted return on equity of continuing activities before tax, as calculated by the Group, represents adjusted profit for continuing activities before tax divided by the average shareholders' equity. For interim periods the ratio is annualised.

**Adjusted return on equity before tax** – Adjusted return on equity before tax, as calculated by the Group, represents profit before tax adjusted for special costs divided by the average shareholders' equity. For interim periods the ratio is annualised.

**Adjusted return on equity after tax** – Adjusted return on equity after tax, as calculated by the Group, represents profit for the year after tax adjusted for special costs after tax divided by average shareholders' equity. For interim periods the ratio is annualised.

**Net asset value per share** – Net asset value per share, as calculated by the Group, represents shareholders' equity divided by the number of shares at year-end.

*Non-life insurance:*

**Adjusted technical result** – Adjusted technical result, as calculated by the Group, technical result adjusted for special costs and for Q1 – Q3 2021 offsetting other income against expenses allocated to gross claim expenses and insurance operating expenses.

**Adjusted gross claims expense** – Adjusted claims expense, as calculated by the Group, represents gross claims expenses net of special costs allocated to gross claim expenses and for Q1 – Q3 2021 after offsetting other income against expenses allocated to gross claim expenses.

**Adjusted gross claims ratio** – Adjusted gross claims ratio, as calculated by the Group, represents adjusted gross claims expenses divided by gross premium income.

**Claims experience** – Claims experience, as calculated by the Group and Codan Denmark, represents the sum of the gross claims ratio and net reinsurance ratio.

**Adjusted claims experience** – Adjusted claims experience, as calculated by the Group, represents the sum of the adjusted gross claims ratio and net reinsurance ratio.

**Major claims ratio** – Major claims, net of reinsurance (%), as calculated by the Group and Codan Denmark, represents major claims, net of reinsurance divided by gross premium income. Major claims, net of reinsurance is defined by the Group and applied in the presentation of financial performance of the Group as single claims or claims events gross, net of reinsurance above DKK 1 million and is defined by Codan Denmark and applied in the presentation of financial performance of Codan Denmark as single claims or claims events gross, net of reinsurance above DKK 1 million.

**Weather-related claims ratio** – Weather-related claims ratio, net of reinsurance (%), as calculated by the Group and Codan Denmark, represents weather claims, net of reinsurance divided by gross premium income. Weather claims are defined as claims related to a single event of storm, cloudbursts, natural perils and winter related claims, adjusted for reinsurance.

**Adjusted gross expense ratio** – Adjusted gross expense ratio, as calculated by the Group, represents adjusted gross insurance operating expenses divided by gross premium income.

**Adjusted combined ratio** – Adjusted combined ratio, as calculated by the Group, represents the sum of the adjusted gross claims expenses, adjusted insurance operating expenses and profit or loss on reinsurance (also referred to as “profit/loss on business ceded”) divided by gross premium income.



**Combined Ratio Excluding Run-off Result** – Combined ratio excluding run-off result, as calculated by the Group and Codan Denmark, represents the sum of the gross claims expenses, insurance operating expenses and profit or loss on reinsurance excluding run-off claims divided by gross premium income.

**Adjusted Combined Ratio Excluding Run-off Result** – Adjusted combined ratio excluding run-off result, as calculated by the Group, represents the sum of the adjusted gross claims expenses, adjusted insurance operating expenses and profit or loss on reinsurance excluding run-off claims divided by gross premium income.

**Underlying combined ratio or Combined ratio, underlying business** – This ratio, as calculated by the Group and Codan Denmark, is calculated as the adjusted combined ratio less the impact calculated as ratios from major claims net of reinsurance, weather-related claims net of reinsurance, run-off result on claims net of reinsurance and change in risk margin, run-off result and current year (factors which may vary considerable from year to year). Accordingly, the underlying combined ratio reflects the trend in small claims, costs and reinsurance ceded. A reconciliation of the underlying combined ratio is provided for the non-life segment and each of the customer segments in the tables in Part I, section 10 – "Operating and financial review of the Group".

**Underlying claims ratio** – The underlying combined ratio less the adjusted gross expense ratio.

**Run-off result, risk margin** – Run-off result, risk margin, as calculated by the Group, represents the difference between the provision for risk margin on non-life insurance contracts at the beginning of the financial year and the part the provision for risk margin on non-life insurance contracts at the end related to claims occurring in earlier financial years.

**Change in risk margin, run-off result and current year** – Change in risk margin, run-off result and current year, as calculated by the Group, is a ratio and calculated as the sum of the Run-off result, risk margin and changes in the provision for risk margin on non-life insurance contracts due to claims occurring in current financial year divided by gross premium income.

*Life insurance:*

**Return requirement for Existing Shareholders' equity** - Profit before tax broken down according to the guidelines for return on equity which the Company has reported to the Danish FSA.

#### **Other Operating Metrics**

**Amount of average claim** – The amount of average claim is defined as the compensation costs divided by the number of claims.

**Claims frequency** – Claims frequency is defined as the number of claims divided by the number of insurance policies.

#### **Reconciliation of APM ratios**

## Group

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019 (as reported in 2020)</b>	<b>2019 (as reported in 2019)</b>	<b>2018</b>
<b>Profit/loss after tax</b>	<b>422</b>	<b>551</b>	<b>616</b>	<b>452</b>	<b>452</b>	<b>569</b>
Profit/loss after tax, discontinued activities	75	129	-50	-15	-	-
<b>Profit/loss after tax, continuing activities</b>	<b>347</b>	<b>477</b>	<b>666</b>	<b>467</b>	<b>452</b>	<b>569</b>
Tax, continuing activities	-153	-125	197	-120	-117	-106
<b>Profit/loss before tax, continuing activities</b>	<b>500</b>	<b>547</b>	<b>863</b>	<b>587</b>	<b>569</b>	<b>675</b>
Reversal of Eliminations	-	-41	-30	-34	-	-
Reversal of deferred tax on customer relationship	-	-	-	-	-	49
<b>Adjusted Profit/loss before tax, continuing activities</b>	<b>500</b>	<b>506</b>	<b>833</b>	<b>553</b>	<b>569</b>	<b>724</b>
Average shareholders' equity	<b>3,574</b>	<b>4,838</b>	<b>4,909</b>	<b>4,647</b>	-	-
<b>Adjusted return on equity of continuing activities before tax</b>	<b>18.6</b>	<b>13.9</b>	<b>17.1</b>	<b>11.8</b>	-	-

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019 (as reported in 2020)</b>	<b>2019 (as reported in 2019)</b>	<b>2018</b>
<b>Profit/loss before tax *)</b>	<b>594</b>	<b>706</b>	<b>824</b>	<b>568</b>	<b>568</b>	<b>675</b>
Special costs before tax	90	-	98	64	115	-
Reversal of deferred tax on customer relationship	-	-	-	-	-	49
<b>Adjusted Profit/loss before tax, continuing activities</b>	<b>684</b>	<b>706</b>	<b>922</b>	<b>632</b>	<b>683</b>	<b>724</b>
Average shareholders' equity	<b>3,574</b>	<b>4,838</b>	<b>4,909</b>	<b>4,647</b>	<b>4,647</b>	<b>4,763</b>
<b>Adjusted return on equity before tax</b>	<b>25.5</b>	<b>19.5</b>	<b>18.8</b>	<b>13.7</b>	<b>14.8</b>	<b>15.2</b>

\*) Profit/loss before tax is including discontinuing activities

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019 (as reported in 2020)</b>	<b>2019 (as reported in 2019)</b>	<b>2018</b>
<b>Profit/loss after tax</b>	<b>422</b>	<b>551</b>	<b>616</b>	<b>452</b>	<b>452</b>	<b>569</b>
Special costs after tax	90	-	76	50	90	-
<b>Adjusted Profit/loss after tax</b>	<b>512</b>	<b>551</b>	<b>692</b>	<b>502</b>	<b>542</b>	<b>569</b>
Average shareholders' equity	<b>3,574</b>	<b>4,838</b>	<b>4,909</b>	<b>4,647</b>	<b>4,647</b>	<b>4,763</b>
<b>Adjusted return on equity after tax</b>	<b>19.1</b>	<b>15.2</b>	<b>14.1</b>	<b>10.8</b>	<b>11.7</b>	<b>12.0</b>

### Non-Life Insurance

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Gross claims expense	2,786	2,636	3,537	3,637	3,436
Income from transitional service agreement fees	-20	-	-	-	-
Special Costs	-	-	-	-21	-
<b>Adjusted gross claims expense</b>	<b>2,766</b>	<b>2,636</b>	<b>3,537</b>	<b>3,616</b>	<b>3,436</b>
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Adjusted gross claims ratio (%)</b>	<b>68.4</b>	<b>66.0</b>	<b>64.6</b>	<b>67.4</b>	<b>65.2</b>
Net reinsurance ratio (%)	-0.4	3.2	3.6	4.6	4.6
<b>Adjusted claims experience ratio (%)</b>	<b>68.0</b>	<b>69.2</b>	<b>68.2</b>	<b>72.0</b>	<b>69.8</b>
Acquisition costs and administrative expenses	747	676	926	956	908
Income from transitional service agreement fees	-48	-	-	-	-
Special costs	-	-	-	-23	-
<b>Adjusted insurance operating expense</b>	<b>699</b>	<b>676</b>	<b>926</b>	<b>933</b>	<b>908</b>
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Adjusted gross expense ratio (%)</b>	<b>17.3</b>	<b>16.9</b>	<b>16.9</b>	<b>17.4</b>	<b>17.2</b>
<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted gross claims expense	2,766	2,636	3,537	3,616	3,436
Adjusted insurance operating expense	699	676	926	933	908
Profit/loss from business ceded	-16	127	193	246	245
<b>Total</b>	<b>3,449</b>	<b>3,439</b>	<b>4,656</b>	<b>4,795</b>	<b>4,589</b>
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Adjusted combined ratio (%)</b>	<b>85.3</b>	<b>86.1</b>	<b>85.1</b>	<b>89.4</b>	<b>87.0</b>
<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted gross claims expense	2,766	2,636	3,537	3,616	3,436
Adjusted insurance operating expense	699	676	926	933	908
Profit/loss from business ceded	-16	127	193	246	245
Run-off result, claims	71	83	113	67	196
<b>Total</b>	<b>3,520</b>	<b>3,522</b>	<b>4,769</b>	<b>4,862</b>	<b>4,785</b>
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Adjusted Combined Ratio Excluding Run-off Result (APM) (%)</b>	<b>87.1</b>	<b>88.2</b>	<b>87.2</b>	<b>90.8</b>	<b>90.7</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Change in risk margin, run-off result	81	40	46	66	72
Change in risk margin, claims occurring in current year	-44	-54	-67	-59	-60
Change in risk margin, run-off result and current year	37	-14	-21	7	12
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Change in risk margin, run-off result and current year (%)</b>	<b>-0.9</b>	<b>0.3</b>	<b>0.4</b>	<b>-0.1</b>	<b>-0.2</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted combined ratio (%)	85.3	86.1	85.1	89.4	87.0
Less: Major claims ratio, net of reinsurance (%)	7.8	6.4	6.2	5.7	7.3
Less: Weather-related claims ratio, net of reinsurance (%)	1.7	1.9	1.5	2.6	1.2
Less: Run-off result, claims	-1.8	-2.1	-2.1	-1.4	-3.7
Less: Change in risk margin, run-off result and current year	-0.9	0.3	0.4	-0.1	-0.2
<b>Underlying combined ratio (%)</b>	<b>78.4</b>	<b>79.6</b>	<b>79.1</b>	<b>82.6</b>	<b>82.4</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Major claims, net of reinsurance	315	255	338	308	383
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Major claims ratio (%)</b>	<b>7.8</b>	<b>6.4</b>	<b>6.2</b>	<b>5.7</b>	<b>7.3</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Weather claims, net of reinsurance	70	74	80	140	62
Gross premium income	4,045	3,996	5,471	5,365	5,274
<b>Weather-related claims ratio (%)</b>	<b>1.7</b>	<b>1.9</b>	<b>1.5</b>	<b>2.6</b>	<b>1.2</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Technical result	528	557	815	526	685
Income from transitional service agreement fees	68	-	-	-	-
Special costs	-	-	-	44	-
<b>Adjusted technical result</b>	<b>596</b>	<b>557</b>	<b>815</b>	<b>570</b>	<b>685</b>

### Non-Life Insurance - Private

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Gross claims expense	1,196	1,259	1,692	1,784	1,771
Income from transitional service agreement fees	-10	-	-	-	-
Special Costs	-	-	-	-10	-
<b>Adjusted gross claims expense</b>	<b>1,186</b>	<b>1,259</b>	<b>1,692</b>	<b>1,774</b>	<b>1,771</b>
Gross premium income	1,941	1,973	2,761	2,695	2,670
<b>Adjusted gross claims ratio (%)</b>	<b>61.1</b>	<b>63.8</b>	<b>61.3</b>	<b>65.8</b>	<b>66.3</b>
Net reinsurance ratio (%)	2.0	1.9	2.0	2.2	1.9
<b>Adjusted claims experience ratio (%)</b>	<b>63.1</b>	<b>65.7</b>	<b>63.3</b>	<b>68.0</b>	<b>68.2</b>
Acquisition costs and administrative expenses	405	358	506	527	514
Income from transitional service agreement fees	-22	-	-	-	-
Special costs	-	-	-	-11	-
<b>Adjusted insurance operating expense</b>	<b>383</b>	<b>358</b>	<b>506</b>	<b>516</b>	<b>514</b>
Gross premium income	1,941	1,973	2,761	2,695	2,670
<b>Adjusted gross expense ratio (%)</b>	<b>19.7</b>	<b>18.1</b>	<b>18.3</b>	<b>19.2</b>	<b>19.3</b>
<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted gross claims expense	1,186	1,259	1,692	1,774	1,771
Adjusted insurance operating expense	383	358	506	516	514
Profit/loss from business ceded	-38	-36	56	59	51
<b>Total</b>	<b>1,607</b>	<b>1,653</b>	<b>2,254</b>	<b>2,349</b>	<b>2,336</b>
Gross premium income	1,941	1,973	2,761	2,695	2,670
<b>Adjusted combined ratio (%)</b>	<b>82.8</b>	<b>83.8</b>	<b>81.6</b>	<b>87.2</b>	<b>87.5</b>
<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Change in risk margin, run-off result	28	19	23	27	30
Change in risk margin, claims occurring in current year	-18	-23	-27	-24	-24
Change in risk margin, run-off result and current year	10	-4	-4	3	6
Gross premium income	1,941	1,973	2,761	2,695	2,670
<b>Change in risk margin, run-off result and current year (%)</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.2</b>
<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted combined ratio (%)	82.8	83.8	81.6	87.2	87.5
Less: Major claims ratio, net of reinsurance (%)	2.4	2.7	2.1	2.1	2.9
Less: Weather-related claims ratio, net of reinsurance (%)	1.2	1.4	1.1	1.6	0.8
Less: Run-off result, claims	-1.6	-3.7	-4.3	-3.4	-3.5
Less: Change in risk margin, run-off result and current year	-0.5	0.1	0.1	-0.1	-0.2
<b>Underlying combined ratio (%)</b>	<b>81.3</b>	<b>83.2</b>	<b>82.6</b>	<b>87.0</b>	<b>87.5</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Major claims, net of reinsurance	46	53	58	57	78
Gross premium income	1,941	1,973	2,761	2,695	2,670
<b>Major claims ratio (%)</b>	<b>2.4</b>	<b>2.7</b>	<b>2.1</b>	<b>2.1</b>	<b>2.9</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Weather claims, net of reinsurance	23	27	30	43	21
Gross premium income	1,941	1,973	2,761	2,695	2,670
<b>Weather-related claims ratio (%)</b>	<b>1.2</b>	<b>1.4</b>	<b>1.1</b>	<b>1.6</b>	<b>0.8</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Technical result	302	320	507	325	334
Income from transitional service agreement fees	32	-	-	-	-
Special costs	-	-	-	21	-
<b>Adjusted technical result</b>	<b>334</b>	<b>320</b>	<b>507</b>	<b>346</b>	<b>334</b>

#### ***Non-Life Insurance - Commercial***

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Gross claims expense	1,600	1,377	1,845	1,853	1,665
Income from transitional service agreement fees	-10	-	-	-	-
Special Costs	-	-	-	-11	-
<b>Adjusted gross claims expense</b>	<b>1,580</b>	<b>1,377</b>	<b>1,845</b>	<b>1,842</b>	<b>1,665</b>
Gross premium income	2,104	2,023	2,710	2,670	2,604
<b>Adjusted gross claims ratio (%)</b>	<b>75.1</b>	<b>68.1</b>	<b>68.1</b>	<b>69.0</b>	<b>64.0</b>
Net reinsurance ratio (%)	-2.5	4.5	5.0	7.0	7.4
<b>Adjusted claims experience ratio (%)</b>	<b>72.6</b>	<b>72.6</b>	<b>73.1</b>	<b>76.0</b>	<b>71.4</b>

Acquisition costs and administrative expenses	342	318	420	429	394
Income from transitional service agreement fees	-26	-	-	-	-
Special costs	-	-	-	-12	-
<b>Adjusted insurance operating expense</b>	<b>316</b>	<b>318</b>	<b>420</b>	<b>417</b>	<b>394</b>
Gross premium income	2,104	2,023	2,710	2,670	2,604
<b>Adjusted gross expense ratio (%)</b>	<b>15.0</b>	<b>15.7</b>	<b>15.5</b>	<b>15.6</b>	<b>15.1</b>

<b>(DKKm)</b>	<b>Q1 – Q3 2021</b>	<b>Q1 – Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted gross claims expense	1,580	1,377	1,845	1,842	1,665
Adjusted insurance operating expense	316	318	420	417	394
Profit/loss from business ceded	54	-91	137	187	194
<b>Total</b>	<b>1,842</b>	<b>1,786</b>	<b>2,402</b>	<b>2,446</b>	<b>2,253</b>
Gross premium income	2,104	2,023	2,710	2,670	2,604
<b>Adjusted combined ratio (%)</b>	<b>87.6</b>	<b>88.3</b>	<b>88.6</b>	<b>91.6</b>	<b>86.5</b>

<b>(DKKm)</b>	<b>Q1 - Q3 2021</b>	<b>Q1 - Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Change in risk margin, run-off result	53	21	23	39	42
Change in risk margin, claims occurring in current year	-26	-31	-40	-35	-36
Change in risk margin, run-off result and current year	27	-10	-17	4	6
Gross premium income	2,104	2,023	2,710	2,670	2,604
<b>Change in risk margin, run-off result and current year (%)</b>	<b>-1.3</b>	<b>0.5</b>	<b>0.6</b>	<b>-0.2</b>	<b>-0.3</b>

<b>(DKKm)</b>	<b>Q1 - Q3 2021</b>	<b>Q1 - Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Adjusted combined ratio (%)	87.6	88.3	88.6	91.6	86.5
Less: Major claims ratio, net of reinsurance (%)	12.8	10.0	10.3	9.4	11.7
Less: Weather-related claims ratio, net of reinsurance (%)	2.2	2.3	1.9	3.6	1.5
Less: Run-off result, claims	-1.9	-0.5	0.2	0.5	-3.9
Less: Change in risk margin, run-off result and current year	-1.3	0.5	0.6	-0.2	-0.3
<b>Underlying combined ratio (%)</b>	<b>75.8</b>	<b>76.0</b>	<b>75.6</b>	<b>78.3</b>	<b>77.5</b>

<b>(DKKm)</b>	<b>Q1 - Q3 2021</b>	<b>Q1 - Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Major claims, net of reinsurance	268	202	280	251	305
Gross premium income	2,104	2,023	2,710	2,670	2,604
<b>Major claims ratio (%)</b>	<b>12.8</b>	<b>10.0</b>	<b>10.3</b>	<b>9.4</b>	<b>11.7</b>

<b>(DKKm)</b>	<b>Q1 - Q3 2021</b>	<b>Q1 - Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Weather claims, net of reinsurance	47	47	50	96	40
Gross premium income	2,104	2,023	2,710	2,670	2,604
<b>Weather-related claims ratio (%)</b>	<b>2.2</b>	<b>2.3</b>	<b>1.9</b>	<b>3.6</b>	<b>1.5</b>

<b>(DKKm)</b>	<b>Q1 - Q3 2021</b>	<b>Q1 - Q3 2020</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Technical result	226	237	308	201	351
Income from transitional service agreement fees	36	-	-	-	-
Special costs	-	-	-	23	-
<b>Adjusted technical result</b>	<b>262</b>	<b>237</b>	<b>308</b>	<b>224</b>	<b>351</b>

#### 4.6 Adjustments

Rounding adjustments have been made in calculating some of the financial information included in the Prospectus. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

## **5. DETAILS OF THE ACQUISITION**

### **5.1 Overview**

On 11 June 2021, the Company announced that it had entered into a conditional share purchase agreement (the "Share Purchase Agreement") with the Sellers concerning the acquisition of the entire issued and to be issued share capital of Chopin Forsikring (a Danish regulated entity to which the business as conducted by Codan Forsikring and Privatsikring relating to the Danish insurance business, including the assets and liabilities relating to Danish insurance business of Codan Forsikring and Privatsikring and such other assets and liabilities will be transferred through a Demerger). The Acquisition is expected to be completed during H1 2022.

Prior to completion of the Acquisition, a Demerger of Codan Forsikring must be completed whereby the Codan DK Business will be demerged into Chopin Forsikring and the sole legal ownership of Trygg-Hansa and Codan Norway will be transferred to Tryg Forsikring A/S (the "Demerger"). The Demerger is expected to be executed by H1 2022. Furthermore, following the Demerger, a reorganisation must be completed whereby Chopin Forsikring will be transferred to the Seller (the "Reorganisation"). After completion of the Reorganisation the Acquisition will be completed by the Company acquiring the shares of Chopin Forsikring, which is expected to take place during H1 2022. The Company is not a party to any of the necessary legal steps to be taken by the Sellers prior to the completion of the Acquisition such as the Demerger and the Reorganisation. The Acquisition includes Codan Forsikring's minority interests in SOS International A/S, Scalepoint Technologies Ltd., Forsikringsakademiet A/S, its wholly owned subsidiary, Privatsikring and the US Branch of Codan Forsikring. The primary activity of the US Branch was to hold US investments bonds and as such there were very few obligations and liabilities in the US Branch. The US Branch has withdrawn its licensing status in New York effective 19 October 2021.

Completion of the Acquisition is subject to the conditions more fully described in Part I, section 5.3.3 – "Details of the Acquisition" – "The Acquisition" – "Conditions", including the receipt of relevant regulatory and competition approvals.

### **5.2 Strategic rationale**

The purpose of the Acquisition is to strengthen the Company's strategic position in the Danish non-life insurance market. The Acquisition is expected to create the second-largest non-life insurance company in the Danish non-life insurance market, with a combined market share (based on gross premium income) of approximately 17.4% as of Q3 2020 (source: Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/markedsandele-for-skadesforsikring/>)). Prior to the Acquisition Alm. Brand has a market share of approximately 8.9% and Codan Forsikring approximately 8.5% as of Q3 2020 (source: Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/markedsandele-for-skadesforsikring/>)). As a result of the Acquisition, the Company will shift its focus further towards non-life insurance.



### *Strong strategic fit*

The Company believes that the strategic fit between Codan Denmark and the Company is strong with complementary strategies across distribution channels, customer and business segments. The distribution channels will be expanded with a better balance across brokers, direct sales, tied agents and partnerships and with an enlarged distribution setup. The Enlarged Group is expected to be in a stronger position to accommodate customer preferences in respect of onboarding and servicing the customers from new sales to claims handling.

The Enlarged Group will be larger and have a more diversified business and customer mix across the customer segments private, agriculture, SME's, renewable energy, marine and large corporates entailing less total vulnerability from claims fluctuations.

Both the Company and Codan Denmark have strong private customer segment positions with strongholds in complementary sub-segments. The Company and Codan Denmark cater for the same customer groups within the private customer segment but with big differences in market shares within sub-segments, due to geographical affiliation and as the brands attract different customer types. For example, it is the Company's assessment that the Company holds a relatively strong position in the more rural areas of Denmark, whereas Codan has a relatively stronger presence in the Danish cities and the surrounding suburbs. Therefore, the Enlarged Group is expected to benefit from a relatively large joint share of the market for private insurance in Denmark going forward from among other things more and better data to be utilized in optimising products, digital availability, claims handling processes and new sales efforts. In addition, Privatsikring, which will become a wholly owned subsidiary of Chopin Forsikring, holding Codan Denmark, will add further strength to the Company's ambition to grow through bancassurance. It is the assessment by the Group based on number of retail customers that the Enlarged Group's current partnership banks will have a market share of approximately 35% of the retail banking market in Denmark, which exceed the Enlarged Group's combined market share in the general insurance market.

In the corporate customer segment, the Company is particularly strong within small and medium-sized enterprises and agriculture, while Codan Denmark has a strong presence in the large corporate customer segment, including specialised lines. Consequently, the Enlarged Group is expected to hold a more balanced portfolio with strong position within SME's, agriculture, large corporate customer segments as well as specialised lines and market leading position in commercial property (residential), workers' compensation and transportation. In addition, a stronger position within large corporates is expected to have a follow-on effect on the opportunities to attract customers in the SME market, as a strong commercial profile will create a perception among customers of the Enlarged Group as a specialist in commercial insurance. Further, a strong profile as a company that offers specialised insurance solutions to the biggest companies in the Danish market is expected to strengthen the opportunities for the Enlarged Group to attract the best talents. Finally, the Enlarged Group is expected to benefit from additional brands and combined skills in underwriting, pricing and claims.

In terms of distribution, Codan Denmark relies relatively more on partnerships and brokers whereas the Company primarily distributes through direct sales which gives strong complementarity across distribution channels. As an example, Privatsikring, has shown strong historical

growth within bancassurance and the Management expects that this development continues. A more diversified distribution strategy for the Enlarged Group is expected to provide greater opportunities to support customers' service preferences and will provide greater insights into possibilities for optimising customer loyalty and cost of sales. Key initiatives to capture the market potential include improved digital solutions for easy customer access, improved offering and services leading to increased attractiveness and increase share of wallet via cross selling.

Further, the Company believes that it will be able to:

- i) leverage investments on a bigger scale leading to more attractive return on investment;
- ii) pursue ambitious research and development projects leveraging costs on a bigger scale with shorter payback time;
- iii) utilise a larger pool of data to improve its product offering and lower potential claims;
- iv) improve talent attraction leading to smarter solutions and better services;
- v) unify stakeholder objectives through its improved platform, leveraging economies of scale to improve customer solutions and services; and
- vi) over time generate net revenue synergies from cross-selling and other initiatives.

In summary, the Company believes the Acquisition will significantly improve its strategic position and that the Acquisition holds significant value creation potential supported by the increased scale of the Enlarged Group.

In continuation of the Acquisition and the sale of Alm. Brand Bank A/S (now Syd ABB A/S) in 2020, on 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

#### *Attractive synergy potential*

The Acquisition is expected to significantly increase the Company's business volume (measured by gross written premiums), which drives economies of scale and thereby expected to realise substantial tangible in market cost synergies of approximately DKK 600 million in annual pre-tax earnings in full by 2025. The synergies are expected to be phased in as follows (all numbers are pre-tax earnings): by 2022 DKK 90 million, by 2023 DKK 240 million, by 2024 DKK 450 million, by 2025 DKK 600 million. The Company has high confidence in synergy realisation due to the in-market nature of the Acquisition and the Company's familiarity with Codan Denmark.

The synergies are expected to be driven by the reduction of full-time equivalents (FTEs), cost savings from one common IT platform rather than two separate, reduction of lease costs and scale in shared operational functions and claims management. Furthermore, sharing of best practises and increased scale is expected to entail an improved underwriting and procurement efficiency, a better utilisation of data insights, fraud detection and claims process improvements,

more room for research and development projects, stronger retention and easier attraction of talent. The synergies, if realised, will improve profitability and strengthen the competitive position of the Enlarged Group.

The expected cost synergies of the Acquisition primarily relate to:

- i) Administration synergies realised by reduction of staff functions and management layers, reduction in needed office capacity and better utilisation at the Enlarged Group's headquarters;
- ii) IT costs synergies realised by merging IT systems (TIA Technology A/S) thereby utilising capabilities better, gaining scale advantages on future investments in TIA and across a larger base of new digital solutions. IT synergies expected to be subject to the longest phase-in period;
- iii) Claims synergies realised by utilising a larger premium base to improve claims processes, cost of inspections and fraud detection; and
- iv) Procurement synergies realised by implementing the Group's procurement processes and capabilities across a larger base.

The synergy potential across the Enlarged Group is expected to enable a return on investment of 7% after tax on the Acquisition.

The earnings contribution from Codan Denmark and the expected synergies related to the Acquisition are expected to result in a tripling of the Company's profit before tax by 2025 based on the Company's original guidance for the full year 2021 from February 2021 of DKK 600-650 million (excluding Alm. Brand Liv og Pension, DKK 500-550 million).

The Company continuously focuses on streamlining and rationalisation of its organisation, which will support the Enlarged Group harvesting the expected operational cost efficiencies from the Acquisition. The goal is to establish and secure a forward-looking platform in order to achieve long-term value creation for its customers, employees and shareholders.

The Enlarged Group's business model will be built on servicing the mass market within both the private customer segment and the commercial customer segment. This will allow for economies of scale in the infrastructure of the Enlarged Group such as within its products and service offering, processes, risk management, reinsurance, IT systems and in the customer service model with the opportunity to differentiate the customer experience based on the customers insights.

For several years, the Company has been successful in implementing, digitalising and automating a wide range of both administrative and customer-oriented processes with the aim of reducing processing times and reducing expenses.

The Company believes that it will benefit from its efficient platform for fully realising the expected economies of scale from the transformational acquisition of Codan Denmark.

### *Well positioned for a successful integration*

The Management believes that its extensive knowledge and proven track record within the Danish insurance market, and accordingly also the market where Codan Denmark primarily operates increases the possibility of a smooth integration process, and thereby reduced execution risks in relation to the Acquisition. Integration of two separate IT platforms is complex and associated with risks (see "Risk Factors", 2.5 – "Failure in the Group's, Codan Denmark's and/or, following completion of the Acquisition, the Enlarged Group's own or outsourced information technology systems, including as a result of cybercrime or information security weaknesses, and poor data quality could lead to a breach of regulations and contractual obligations and have a material adverse effect on their reputation, cash flows, business, financial condition, results of operations and prospects."). However, the Management believes that as both the Company and Codan Denmark operate on the TIA IT platform offered by Tia Technology A/S, this will reduce the complexity of the IT integration process and result in an overall higher probability of realising expected synergies.

Although Codan Denmark will be the largest integration project in the history of the Company, the Company has over the recent years, had several experiences in integration and transformation projects through the integration of Trafik G/S in 2017, Saxo Privatbank A/S in 2018, from the divestment of the banking business to Sydbank A/S in 2020, as well as from entering into the strategic partnerships with Sydbank A/S and Volkswagen Semler Finans Danmark A/S in 2020. To support the integration, the Company will furthermore have the assistance of an expert consulting firm to support in the design, planning, execution of the integration and synergy realisation. Being an in-market acquisition, the Company and the team responsible for the integration generally has significant insight into Codan Denmark.

The integration objective of the Enlarged Group is to create a common operating platform with a robust technology backbone, combining the strengths of the respective companies and to create an efficient and resilient organisation. The following concrete initiatives will support the integration objective:

- i) Central functions will be assessed for efficiency and optimisation opportunities, whilst retaining the value and expertise required to support a strong brand and market positioning;
- ii) Strengthening of the sales force and claims processing through combining the Company's capabilities within the private line and small commercial line with the capabilities of Codan Denmark in urban areas and with medium sized enterprises;
- iii) Unifying the digital and product development know-how in both the Company and Codan Denmark for both the integration effort and continuous market adaption and innovation going forward; and
- iv) Assessing the product and IT integration carefully to be executed over an anticipated 4-year transition period, with expected initial priorities towards 1) customer service functions using Salesforce and 2) a volume and risk-based approach to product migration towards one core insurance system.

## **5.3 The Acquisition**

### **5.3.1 Consideration**

The base consideration under the terms of the Acquisition amounts to DKK 12,586,000,000 (the "Base Consideration"). The Base Consideration is subject to adjustments in the own funds (as defined in Solvency II) as per the date on which completion of the Demerger occurs. Further, an amount of DKK 1,000,000 will accrue daily on the Base Consideration from and excluding the date of the Demerger completion accounts up to and including the date of completion of the Acquisition.

### **5.3.2 Financing**

The Acquisition will be partly financed by the proceeds from the Offering expected to result in a net amount of at least DKK 10,472,046,300 partly by the Company's issuance of tier 2 capital notes on 14 October 2021 amounting to DKK 1,300 million as well as the Company's existing funds including proceed from the Divestment and/or via other financing sources. Further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering. The Offering is fully underwritten subject to satisfaction of certain conditions in the Underwriting Agreement.

The tier 2 capital notes have a variable interest rate on Cibor 3 months plus 1.50 % p.a. The notes have a 10-year maturity but may be redeemed by the Company after five years subject to certain conditions, hereunder approval by the Danish FSA. It is expected that the notes will be listed within six months from issuance.

### **5.3.3 Conditions**

The Acquisition is subject to a number of outstanding conditions which, as of the Prospectus Date, include:

- i) completion of the Demerger and registration thereof with the Danish Business Authority and the approval of the Demerger by the Danish FSA;
- ii) completion of the Reorganisation;
- iii) completion of the fundraising, being the receipt by the Company (or its agent) of net proceeds of at least DKK 11,750,000,000 less any amount deposited in cash or cash equivalents on an escrow account (or such lower amount as may be agreed by the Seller in writing) pursuant to a pre-emptive offering of new shares to its Shareholders (as is the purpose of the Offering) pursuant to the Stand-by Underwriting Agreement, the Underwriting Agreement and subscription undertakings from the Association and potentially certain other investors as described in Part II, section 25.15 – "Terms and conditions of the Offering" – "Plan of distribution and allotment and process for notifying applicants";
- iv) approval from the Danish FSA in accordance with section 61 of the Danish Financial Business Act of the Company as well as any holder of direct or indirect qualifying interest in the

Company as acquirer of Chopin Forsikring and Privatsikring (the business of which is referred to in this Prospectus as Codan Denmark) after the completion of the Demerger; and

- v) competition approval from the Danish Competition and Consumer Authority required to consummate the transactions contemplated by the Share Purchase Agreement.

In terms of i) above, a Demerger Agreement and a Demerger Plan have been entered into between Codan A/S, Codan Forsikring, Tryg Forsikring A/S and Chopin NewCo A/S (now: Chopin Forsikring) further detailing the agreements of the parties thereto in respect of the Demerger as further described in an appendix to the Share Purchase Agreement, and as described in this Part I, section 5.3.5 – "Details of the Acquisition" – "The Acquisition" - "Demerger" below and in Part I, section 21.1.1 – "Material" – "Summary of material contracts relating to the Acquisition" – "Share Purchase Agreement". The Demerger is expected to be completed during H1 2022. The Sellers has given certain undertakings and warranties in the Share Purchase Agreement in terms of completion of the Demerger. The Company will be entitled to review and be consulted on an on-going basis on the development, drafting and negotiation between Tryg and Intact in respect of the Demerger Plan, the Demerger Agreement and the Demerger Balance Sheet.

In relation to iii) above, the Reorganisation will take place following the Demerger, currently expected to include (a) the distributions of the Chopin Forsikring's shares to Scandi JV Co and (b) the cancellation or buyback of the shares held by Scandi JV Co 2 in Scandi JV Co in consideration for the transfer of the Chopin Forsikring's shares to Scandi JV Co 2. The Sellers has given certain undertakings and warranties in the Share Purchase Agreement in terms of completion of the Reorganisation. However, the Company has no control in relation to the process hereof.

In terms of (iv) above the Company expects to complete the Offering in line with the expected timetable as set out in Part II, section 25.2 – "Terms and conditions of the Offering" – "Expected timetable of the Offering".

The Danish FSA is expected to decide upon approval of the Company's acquisition of Codan Denmark and Privatsikring, cf. section 61 of the Danish Financial Business Act, as outlined in (v) above, before the end of 2021.

Finally, in relation to (vi) above, the Seller and the Company has submitted the first draft notification to the Danish Competition and Consumer Authority in mid-August 2021. The Danish Competition and Consumer Authority has a wide discretion in deciding what investigatory steps to take in the merger review process, which may impact the timing of the approval.

On 30 September 2021, the Danish FSA approved the application for the license for Chopin Forsikring for rendering insurance services, thereby eliminating this as a condition for the Acquisition.

#### **5.3.4 Management of Chopin Forsikring until completion of the Acquisition**

The Seller will have full control over Chopin Forsikring and Codan Denmark, which will remain completely separate and independent from Tryg, until completion of the Acquisition and will be in charge of leading the process for fulfilling certain of the conditions, including seeking certain of the required approvals, in particular completion of the Demerger, and completion of the Reorganisation. In addition, the Seller will ultimately continue to have the overall responsibility for the governance and prudent operation of the whole of Chopin Forsikring and Codan Denmark, until completion of the Acquisition. The Sellers are not contractually obliged to procure that the Company will have any operational control or influence over Chopin Forsikring and Codan Denmark and/or that decisions of the Company in respect thereof are implemented.

#### **5.3.5 Demerger**

The Demerger will be initiated and carried out by the Ultimate Sellers, and the Company will have no control of or influence on the process or the execution of the Demerger, except for what is described in Part I, section 21.1.1 – "Material" – "Summary of material contracts relating to the Acquisition" – "Share Purchase Agreement". As a result of the Demerger, the sole legal ownership of Trygg-Hansa and Codan Norway will be transferred to Tryg Forsikring A/S from Codan Forsikring, and Codan Denmark will be transferred from Codan Forsikring to Chopin Forsikring with Intact and Tryg continuing to co-own Codan Denmark on a 50/50 economic basis with Codan Denmark remaining completely separate and independent of Tryg. After the Demerger and at completion of the Acquisition, the share capital in Chopin Forsikring will be transferred to the Company completely separate and independent of Tryg. The Demerger is intended to be completed during Q1 2022.

#### **5.3.6 Reorganisation**

Following the Demerger, Tryg and Intact will complete the Reorganisation being the steps necessary for the legal and beneficial ownership of the shares issued by Chopin Forsikring to transfer from Codan A/S to the Seller.

#### **5.3.7 Transitional services**

To facilitate the Acquisition, certain transitional services will be performed in an interim transition period with the aim of separating the Codan DK Business into a stand-alone structure while ensuring business continuity in the transition period. The transitional services are governed by two transitional services agreements, respectively entered into between RSA and Codan Forsikring ("TSA1") and expected to be entered into between Chopin Forsikring and Tryg Forsikring A/S ("TSA2").

Under TSA1, RSA will continue to support Codan Forsikring within the areas of Marine, Claims, Reinsurance, Underwriting, Finance, IT, Reward and Risk & Compliance. Codan Forsikring will in turn provide services to RSA in relation to IT, Claims, Capital Management & Reserving and Finance. TSA1 was entered into on 1 June 2021 and is expected to be in force post-Demerger until 1 March 2023.

The scope for TSA2, expected to be entered into between Chopin Forsikring on one side and Tryg Forsikring A/S on the other side, has not been concluded at the Prospectus Date, but the services to be provided by Chopin Forsikring to Tryg Forsikring A/S may be within the scope of IT, Finance, Reinsurance, Legal, Risk & Compliance, HR, Procurement and Facilities and Underwriting, and include passing through TSA1 services. Additionally, services may also be delivered by Tryg Forsikring A/S to Chopin Forsikring. TSA2 will initiate on the date of Demerger. Term of services are being determined, but all or the majority of services are expected to terminate earlier than 24 months after Demerger.

The terms of both TSA 1 and TSA2 may be extended for a limited period of time for any reason as agreed.

Reference is made to Part I, section 21.1.2 – "Material " – "Summary of material contracts relating to the Acquisition" – "Transitional Services Agreements".

#### **5.3.8 Management of Chopin Forsikring and Codan Denmark immediately following completion of the Acquisition**

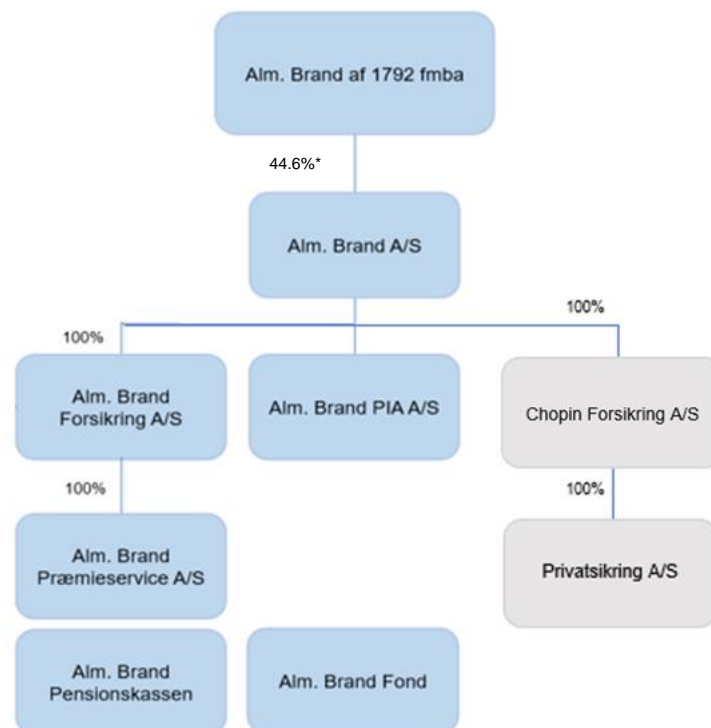
At completion of the Acquisition, the shares of Chopin Forsikring, holding Codan Denmark, will be transferred to Alm. Brand. It is the intention of the Company to initially operate Codan Denmark as a separate legal entity under the Company and under the existing Codan brand. Privatsikring is expected to operate as an affiliate of Chopin Forsikring under the existing Privatsikring brand. The current headquarters of the Company at Midtermolen 7, Copenhagen Ø, will remain the headquarter also for the Enlarged Group. As part of the integration process and with due consideration on harvesting the anticipated synergies of the Acquisition, the Company will assess how to best structure the Enlarged Group going forward.

Similarly to the Group's structure today, the Company expects to create a group-wide executive team for the Enlarged Group at completion of the Acquisition. In the following 6-12 months the Company will initiate the process of operationally optimizing the Enlarged Group in order to avoid double administrative functions, distribution channels and sales organization across the legal entities of the Enlarged Group.

The following chart provides a summary of the Enlarged Group's legal structure as expected at the time immediately following closing of the Acquisition.



**Figure no. 1 - Expected structure for the Enlarged Group immediately following the Acquisition**



\* Based on approximate current ownership as of the Prospectus Date.

### 5.3.9 Additional information about the entities relating to Codan Denmark

The following table sets forth certain additional details on the entities relating to Codan Denmark the interest in which is expected to be included into Chopin Forsikring, holding Codan Denmark, after the Demerger (as such entities are defined prior to the completion of the Demerger).

**Table no. 10 - Additional information about the entities relating to Codan Denmark**

<b>Entity Name</b>	<b>Country of Incorporation</b>	<b>Currency</b>	<b>Nominal Share Capital</b>	<b>Address</b>	<b>CVR / Company registration number</b>
<b>Codan Denmark comprising:</b>					
Codan Forsikring (excluding Codan Norway and Trygg.Hansa) <sup>1)</sup>	Denmark	DKK	15,000,000.00	Gammel Kongevej 60, 1850 Frederiksberg C	10529638
SOS International A/S <sup>2)</sup>	Denmark	DKK	28,487,450.00	Nitivej 6, 2000 Frederiksberg	17013718
Forsikringsakademiet A/S <sup>3)</sup>	Denmark	DKK	2,400,000.00	Rungsted Strandvej 107, 2970 Rungsted Kyst	20733616
Forsikrings-selskabet Privatsikring A/S	Denmark	DKK	1,000,000.00	Gammel Kongevej 60, 1850 Frederiksberg C	25071409
Scalepoint Technologies Ltd. <sup>4)</sup>	England		N/A	Aldersrogade 8, 2100 København Ø	10170729

<sup>1)</sup> Unless otherwise stated in the table, the listed entities are 100% owned by Codan Forsikring

<sup>2)</sup> Codan Forsikring holds 13% interest in SOS International A/S

<sup>3)</sup> Codan Forsikring holds 8% interest in Forsikringsakademiet A/S

<sup>4)</sup> Codan Forsikring holds 3% interest in Scalepoint Technologies Ltd.

## 6. BUSINESS OVERVIEW OF THE GROUP

*This business overview contains a number of observations, judgments and estimates, especially in relation to market sizes, market shares and market trends, which are based on the Management's estimates and publicly available information. The Management's estimates are generally based on the Group's knowledge of the market and various external research and industry reports. External sources were used only to a limited extent in the preparation of this business and market review. However, there can be no assurance that other sources may not express a different opinion of the market, etc. than the one on which the Management has based its views. The information regarding market conditions is based on the Management's estimates. The forward-looking estimates are subject to uncertainty. Investors should read this section in conjunction with the more detailed information contained in the Prospectus, including the financial and other information referred to in Part I, section 4 – "Presentation of financial information" and Part I, section 19.1 – "Additional information" – "Financial statements" which is incorporated by reference into the Prospectus as set out therein.*

### 6.1 Overview

The Group is headquartered in Copenhagen and provides non-life insurance, life insurance as well as pension products. The Group sells a broad range of general insurance products including insurances related to personal accident, workers' compensation, vehicle, fire & content insurance, and liability insurance. Within life insurance the product range comprises insurance cover and various types of savings. The Group was established in 1792 in Denmark and had, as of 30 September 2021, around 1,400 full-time employees (2020: around 1,400 full-time employees) working at the Group's head office in Copenhagen, Denmark, and in the Group's local offices.

The Group is the third largest non-life insurer in Denmark with a market share of 8.9% based on gross premium income in Q3 2020 according to the latest available statistics from the Danish industry organisation Forsikring & Pension. After completion of the Acquisition, the Enlarged Group is expected to be the second largest non-life insurer in Denmark with a market share of 17.4% (based on an addition of the Group's and Codan Forsikring's market shares). It should be noted that the statistics from Forsikring & Pension considers Topdanmark A/S and IF Skadeforsikring (Filial af Skadeförsäkring AB (publ), Sverige) as separate entities despite some overlap in ultimate ownership. In addition, according to the latest available statistics from Forsikring & Pension, the Group had a market share of 0.8% for life insurance measured by gross premium income and subscriptions in 2020.

The Group has the following two main operating segments:

- i) Non-life insurance, representing 76.3% of total income in 2020 (2019: 72.6%); and
- ii) Life insurance, representing 24.5% of total income in 2020 (2019: 28.3%).

However, on 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm.

Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

For the financial year ended 31 December 2020, the Group had:

- i) Total income of DKK 7,352 million (2019: DKK 7,669 million);
- ii) Adjusted profit of continuing activities before tax (APM) of DKK 833 million (2019: DKK 553 million). The IFRS profit of continuing activities before tax was DKK 863 million (2019: DKK 587 million); and
- iii) Return on equity of continuing activities before tax (APM) of 17.1% (2019: 11.8%).

For the financial period ended 30 September 2021, where Alm. Brand Liv og Pension is presented as discontinued operation, the Group had:

- i) Total income of DKK 4,227 million (30 September 2020: DKK 4,104 million);
- ii) Profit of continuing activities before tax of DKK 500 million (30 September 2020: Adjusted profit/loss before tax, continuing activities (APM) DKK 506 million). The IFRS profit of continuing activities before tax was DKK 500 million (30 September 2020: DKK 547 million); and
- iii) Return on equity of continuing activities before tax (APM) of 18.6% (30 September 2020: 13.9%).

During 2020, the Group increased its focus on strategic partnerships. New strategic partnership agreements in 2020 included Volkswagen Semler Finans Danmark A/S and Sydbank A/S. The Group's strategic partnership agreement with Sydbank A/S was established in October 2020 concurrently with the Group's sale of Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S (closed in November 2020). See Part I, section 21– "Material " for further details on the strategic partnership agreements.

#### **6.1.1 Non-life insurance**

Non-life insurance is the Group's core business focused on the Danish market and especially on private customers, small and medium-sized enterprises and agriculture. As of 31 December 2020, the Group's non-life insurance activities had around 410,000 customers. The Group's non-life insurance products for private and commercial customers are distributed through customer service centres, tied agents and brokers. The Group's non-life insurance business is divided into the business segments private customers and commercial customers. The private customer segment comprises the Group's sales of insurance to private households through its sales channels. The commercial business comprises the Group's sales to agricultural and commercial customers through own sales channels and partnerships.

The Group's largest non-life insurance product segments by gross premiums for the first nine months of 2021 are fire & content to commercial (24%) and private customers (21%) respectively, as well as loss or damage vehicle insurance for both commercial and private customers (27%).

For further details on the Group's non-life insurance products, reference is made to Part I, section 6.7.1 – "Business overview of the Group" – "Operations" – "Description of the products".

### **6.1.2 Life insurance**

As at 31 December 2020, the Group's life insurance business had around 70,000 customers. 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. The product range comprises insurance cover and various types of savings. Some of the main insurance types are death cover, disability cover and critical illness cover, whereas savings comprise capital pension plans, instalment pensions and annuity schemes. The life insurance business is specialised in average rate products. Average rate products have primarily been a niche area in the Danish life insurance market, especially within the last couple of years, which is less exposed to competition because many non-life insurance companies no longer offer such a product. This – all else equal – should support a higher earnings ratio compared to market rate products.

The life insurance business is primarily targeting private customers and SMEs which are already customers in the non-life insurance business. The distribution and advice are primarily carried out by the Group's customer service centres and tied agents ensuring personal advice and a close customer relationship to drive strong retention rates.

For further details on the Group's life insurance products, reference is made to Part I, section 6.7.1 – "Business overview of the Group" – "Operations" – "Description of the products".

On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

## **6.2 Strengths of the Group**

The Company believes that the following key strengths and advantages will help it achieve its strategic objectives:

### **1) Large market shares**

The Group is the third largest non-life insurer in Denmark with a market share of 8.9% and Codan Forsikring is the fourth largest non-life insurer in Denmark with a market share of 8.5%, both based on gross premium income in Q3 2020 according to the latest available statistics from the Danish insurance industry organisation Forsikring & Pension. After completion of the Acquisition, the Enlarged Group is accordingly expected to be the second largest non-life insurer in Denmark with a combined market share of 17.4% (based on an

addition of the Group's and Codan Forsikring's respective market shares as of Q3 2020). It should be noted that the statistics from Forsikring & Pension considers Topdanmark A/S and IF Skadeforsikring (Filial af Skadeförsäkring AB (publ), Sverige) as separate entities despite some overlap in ultimate ownership. In addition, according to the latest available statistics from Forsikring & Pension, the Group had a market share of 0.8% for life insurance measured by gross premium income and subscriptions in 2020. Further, the Enlarged Group is expected to become the second largest general insurance provider within fire & content insurance as well as motor insurance respectively. For the first six months of 2021, fire & content insurance and motor insurance respectively constituted 35% and 23% of the total Danish general insurance market and are also the two largest product segments of the Group.

The Group believes that the large market shares of the Enlarged Group within the Danish general insurance market and in sub-segments will allow it to benefit from economies of scale in its operations including, e.g., within portfolio risk management, product development and digitalisation investments as well as in its procurement, distribution, and reinsurance activities. As a result, the Company believes it is able to run an overall cost-effective business while having the necessary resources to continuously improve its product and service offering to customers and partners.

## **2) Complete digital product offering catering for a broad range of customer segments**

Digital services, simplification and efficient interaction are becoming increasingly important for customers, and the Group is highly committed to meeting these demands. The Group's digital offerings have during the recent years been expanded and improved to provide customers with a wide range of self-service options including for instance assessment of which products and what coverage is most suitable for the individual customer, buying insurance products, making changes to products and reporting claims. The Group has demonstrated its focus on digital services for example by launching "Mit Alm. Brand", a mobile application through which customers can file insurance claims and which also provides an overview of the Group's insurance services. The mobile application has customized features for both personal and commercial lines customers. Furthermore, the Group has implemented a new fully integrated platform for seamless integration of white label insurance products for its partners.

As examples of process digitalisation, the Group has introduced fully automated claims handling processes through the use of STPs (robotic automation processes) and the use of RPA helped process a large number of travel insurance claims (relating to the outbreak of the COVID-19 pandemic and the COVID-19 Measures) in Q1 2020. The Group also uses digital robot technology as part of the claims handling which ensures an efficient and compliant process and thus shorter processing time from receipt of a claim notification to completed claims handling.

To drive the Group's ambitions towards providing digital customer experiences tailored to its customers, the Group has implemented the cloud-based CRM system Salesforce. Salesforce also secures customers' data in relation to consents, including marketing consent and the exchange of data between the legal entities of the Group and its partners.

The Group believes it is well-positioned to continue the development of a complete and digital product offering for its customers through its focused digitalisation strategy, management's continued attention as well as through its development and change management competencies.

### **3) Strong and diverse distribution platform**

The Group distributes its non-life and life insurance products and services through multiple channels including customer service centres, tied agents, brokers and online as well as through strategic partnerships. The Company believes that these distribution channels enable it to effectively compete in the insurance market as well as to reach a diverse range of customers. The Group's primary distribution channels are customer service centres (23.9% based on gross premium income in 2020) and tied agents (65.2% based on gross premium income in 2020). Customer service centres provide advisory services to customers from three regional service centres, while tied agents provide services locally from either sales centres or regional offices.

During 2020, the Group has increased its focus on strategic partnerships. New strategic partnership agreements in 2020 included Volkswagen Semler Finans Danmark A/S and Sydbank A/S. See Part I, section 21 – "Material " for further details on the strategic partnership agreements. The Company believes that distribution through partnerships is beneficial as it is generally cost effective and promotes customer loyalty. The Group plans to continue its focus on strategic partnerships going forward and believes that partnership agreements will continue to make important contributions to the business and operations of the Group.

In recent years, the Group has invested in the development of lower-cost distribution channels (e.g., distribution through the Company's website and app) with the aim of providing high customer lifetime value. The Group plans to continue to focus more on its customer acquisition efforts through these channels in the future.

The Company believes its diverse distribution platform enables its customers to access the Group's products and services in a manner preferred by the individual customer while allowing the Group flexibility in terms of how to best target and approach customers. The Company believes that it is generally advantageous to have several strong distribution channels to not be too dependent on just one or a few channels. The Company believes that Codan Denmark will provide further diversification to the Group's distribution platform via its affinity partners as well as its agents and compelling direct distribution capabilities in particular with respect to larger commercial customers.

### **4) Effective and scalable operating platform**

The Company believes that it benefits from an effective and scalable operating platform. Key aspects of the Group's operating platform include:

i) Underwriting management:

The Company believes its underwriting discipline and pro-active review of its portfolio has allowed it to improve its claims and combined ratios and profitability. As a long-standing, established provider of general non-life insurance products in Denmark, the Group has experience, access to information and an in-depth understanding of its customer base and markets. The Group's processes and procedures are aimed at accurately assessing risk, and premiums are determined based on a risk-based approach taking into consideration market conditions.

ii) Claims management

The Group continuously works to improve the efficiency and accuracy of its claims management. The Group has prioritised claims management because claims expenses are its single largest expense. The Group has invested in numerous procurement initiatives targeted at supporting claims excellence, including consolidating its supplier network and outsourcing some elements of its claims management. In 2021, the Group has increased its engagement with claims service suppliers by supplementing Recover Nordic with Polygon and SSG in order to increase availability and further reduce the average claims cost. Furthermore, the Group has improved its fraud detection capabilities, mainly due to enhanced fraud detection training, increased use of automation in fraud detection and implementation of sophisticated fraud detection methodologies. The Company believes these steps have allowed it to settle claims more quickly, to reduce the average costs of settling such claims and will fulfil the Group's high customer satisfaction ambitions. Furthermore, the Group has engaged in multiple digitalisation initiatives, including introducing the ability to self-process claims through the Group's digital services. The Group has recorded an overall growing use of its digital claims solutions since the outbreak of the COVID-19 pandemic, including via increased use of robotic automation processes (STPs) in the claims-handling process, and through implementation of its new claims handling system.

iii) Risk management:

The Group has a well-established and prudent risk management framework as a key part of its operating platform to identify, assess and report on the Group's risk types to ensure that the risks are within the risk tolerances set by the board of directors of the respective companies in the Group. Reference is made to Part I, section 12 – "Risk management" for further details on the Group's risk management.

iv) Organisation and management capabilities:

The Management has initiated several strategic initiatives to optimise the organisational structure. The new management team in combination with a changed organisational structure (see below for further information) has established a platform to execute and drive the intended strategic initiatives and changes with the



ambition to ensure the Group is a Danish tier 1 non-life insurance business. The strong customer focus, the successful divestment of the Group's bank division in 2020, the new strategic partnerships with Volkswagen Semler Finans Danmark A/S (VWSF) and Sydbank A/S, the Acquisition and the investigations on strategic alternatives for Alm. Brand Liv og Pension are amongst other a result hereof. The Company believes that its extensive knowledge of the Danish insurance market and its advanced risk management approach will increase the likelihood of a smooth integration of Codan Denmark and therefore reduce execution risk. Similarly, the Company believes that the Management has relevant experience and expertise to realise the value of the Acquisition through cost and capital synergies.

## **5) Product and customer diversification**

The Group's gross premium income is broadly diversified by line of business and type of customer. Diversification reduces the exposure to any catastrophic events or adverse developments in any single individual market or product segment.

The Group has the following two main operating segments:

- i) Non-life insurance, representing 76.3% of total income in 2020 (2019: 72.6%)
- ii) Life insurance, representing 24.5% of total income in 2020 (2019: 28.3%)

In 2020, the workers' compensation product segment represented 8% (2019: 8%; 2018: 7%) of premium income. The motor and vehicle product segment represented 28% (2019: 28%; 2018: 28%) of premium income. The fire & property product segment represented 44% (2019: 45%; 2018: 46%) of premium income. The travel insurance product segment represented 2% (2019: 2%; 2018: 2%) of premium income. Health and personal accident product segment represented 12% (2019: 12%; 2018: 12%) and liability insurance lines represented 3% (2019: 2%; 2018: 2%) of premium income. Finally, other insurances such as livestock insurances, CAR insurances, IT insurances and all-risk insurances etc. represented 3% (2019: 3%; 2018: 3%) of premium income.

The Group believes it has benefitted greatly from having a diverse product portfolio since the outbreak of COVID-19. Specifically, the Group's travel insurance business was impacted by high levels of claims relating to travel cancellations and a significant decrease in customer demand for its travel insurance products due to restrictions on travel. At the same time, lower levels of economic activity and changes in customer behaviour associated with the COVID-19 Measures led to improved performance of other lines of business such as motor insurance, accident insurance and contents insurance due to lower claims frequencies especially during lock-down periods.

The Company expects that the integration of Codan Denmark will contribute to an even broader segmentation and a further complementary product range that will increase the Enlarged Group's diversification significantly.

## **6) High customer loyalty and strong brand reputation**

The Company believes that insurance penetration is at a very high level in Denmark compared to many other regions in the world as households have a relatively high income and are used to purchasing general insurance products. Further, customers in Denmark demonstrate relatively strong brand loyalty and such brand loyalty is reflected in both high retention rates and low expense ratios relative to other insurance markets.

In the financial year 2020, the private and commercial non-life customer segments together represented 76.3% of total income in 2020 (2019: 72.6%) of the Group's total business by gross premium income. Customer retention rates in each of the two non-life customer segments amounted to:

- i) Non-life private customer segment: 88.1% in Q1 – Q3 2021 and 88.1% in 2020 (2019: 89.4%; 2018: 90.8%)
- ii) Non-life commercial customer segment: 90.9% in Q1 – Q3 2021 and 90.4% in 2020 (2019: 90.3%; 2018: 91.2%)

High retention rates help the Group to control costs since renewals by existing customers are associated with lower costs of sales compared to costs of sales for new customers. The Group maintains loyalty programmes to retain customers and provide incentives for its customers to purchase more than one type of insurance. The Group focuses on providing a wide range of high-quality products and services because the Company believes that lifetime customer value is positively affected by the quality of the products and services provided.

### **6.3 Strategy for the Group**

In order to provide value to its customers and shareholders, the Group's key strategic pillars and short-term initiatives for the Enlarged Group are as follows:

- **Top tier Danish insurance platform**

After completion of the Acquisition, the Enlarged Group plans to continue to focus primarily on the Danish non-life insurance market supplemented by some specific insurance risks abroad in the Codan Denmark tech business line as the Management considers these markets as attractive and well-known for the Group and the Enlarged Group to be able to manage their risks. Reference is made to Part I, section 8 – "Trend information" for further details on the trend for the Danish insurance market.

It is the Management's view that Danish insurance companies tend to focus significantly on customer service, which contributes to high retention rates and overall low expense ratios. See Part I, section 8 – "Trend information" for additional information regarding the Danish general insurance market.

According to the Management's experience, the principal basis for being competitive in the Danish direct general insurance market includes brand recognition of the issuing company,

effective utilisation of various distribution channels, quality of customer service before and after sales of insurance products (including claims handling), product flexibility as well as innovative product design and efficiency.

Although the Danish insurance market is relatively small measured in number of customers, the market has a relatively large and attractive premium volume compared to the number of Danish citizens as a high penetration of both non-life insurance products and pensions result in a high premium spend per customer. The market is mature but attractive because nearly all insurance needs are covered. The commercial insurance market is characterised by a very high proportion of small and medium-sized enterprises in many different industries with differentiated product compositions but with relatively low amounts insured. This results in a homogeneous risk picture, but also opportunities for differentiated advice and niche products for customers which the Group targets through specific initiatives. Furthermore, there are only a limited number of customers in the large corporate customer segment with the need of international insurance programmes.

See Part I, section 5.2 – "Details of the Acquisition" - "Strategic rationale" for additional information regarding the rationale for the Acquisition and being a top tier Danish insurance company.

- **Customer excellence**

The Management believes that the Group excels in giving proactive advice to customers and offering customised solutions for their needs and current situation. The Company believes that services should be made available when and where the customers need them by presenting a complete overview, advice, and solution either via direct consultation or online self-service channel.

The Group has a strong direct customer approach coupled with broad reach through key strategic partners. The Enlarged Group will be highly committed to its customer excellence initiatives with a goal to enable customers to receive support and advice where and when needed.

The Group focuses and the Enlarged Group will continue focusing on leveraging its insurance expertise through its large product offering and with an ambition to offer seamless customer-flow and customer experience through digital solutions. One important initiative is to strengthen the customer experience and create a holistic approach by utilising intelligent digital front- and back-end solutions.

As an example of such initiatives, the Group has recently developed digital solutions that give customers access to online self-service and purchase of insurance, e.g., via the Group's distribution partners' digital customer platforms. Generic digital solutions such as these bring agility and opportunities to enter into new distribution partnerships and forms.

In support of the Group's customer approach, strong back-end IT-support helps analyse and evaluate the product and service offerings, to provide crucial insights for the Group's

organisation in order to always offer proactive advice and customised solutions for customers.

- **Product and service innovation focus**

The Enlarged Group will continue to have a strong internal focus on developing new services, products, and distribution channels, but also to continuously optimising customer experiences and efficiency for core products and services. Furthermore, product and service development are a main priority together with optimising and expanding its strategic partnerships around bancassurance and mobility and living.

Since 2016, the Group has launched approximately 10 new products to drive efficiency as well as to help it remain relevant to existing customers and be able to expand into new customer segments, thus expanding its addressable market.

A key innovation area is bancassurance where the Group, through a strategic partnership with Sydbank A/S, seeks to digitally bridge the gap between banking and insurance. This is done through digitally enabled sales activities, as well as through integrated product offerings such as for property purchase and a shared digital self-service mobile banking experience. Sales to customers are digitally enabled through integration of banking and insurance CRM systems, ensuring a frictionless handover between organisations, as well as transparency into lead-pipelines on both the banking and insurance side. Integrated product offerings are shaped around areas like property, mobility, and health, and are key to ensure a great advisory experience, affecting up-selling, cross-selling, and retention. Consequently, the shared digital self-service on the mobile banking platform empowers customers to understand their insurance and add or remove coverages, leading to overall increasing sales and stickiness. The Group sees this as a significant area of opportunity for further expanding its customer portfolio, increasing stickiness for dual customers and for up-selling and cross-selling to existing customers.

Another focus area is mobility where the strategic partnership with Volkswagen Semler Finans Danmark A/S (VWSF) enables insurance sales from all VWSF dealerships. The Group managed to build its car insurance products for the strategic partnership within a very short time frame, including integration via API's (application programming interfaces) to VWSF sales- and service systems. The Group's products are fully digital and are part of a growing platform of digital insurance products that can also be distributed through strategic partners. The Group sees this as a way for the Enlarged Group to retain customers within the competitive mobility area and as a way to evolve the business model towards the future of mobility where VWSF is an active player. The latter is demonstrated by VWSF being involved in, among others, new scaleups around flex-leasing and autonomous mobility.

In the house and contents areas, innovation is, among others, driven by the Group's partnership with G4S Security Services A/S, where the parties have a mutual interest in innovation to increase attraction of new customers and increase the revenue, aimed at securing property. The Enlarged Group's focus on innovation is expected to lead to growth in the

customer portfolio, sales of non-insurance, prevention services and increased customer stickiness for both the Enlarged Group and G4S Security Services A/S.

The Group's focus on continuously improving its customer experiences and process efficiency has amongst other led to investments in intelligent automation through RPA, machine learning and voice technologies with high adoption and significant efficiency effects and improved customer experience. Furthermore, the Group has initiated a cloud programme aiming to have all data in the cloud by Q1 2023.

The Group furthermore has well-established practices for agile development to support an increased automation and faster research, development, and delivery, which are key for the Group to deliver on its innovation strategy.

See Part I, section 5.2 – "Details of the Acquisition" - "Strategic rationale" for the increased possibilities for product and service innovation following the Acquisition.

- **Customer and product portfolio differentiation**

The Company believes that a more balanced customer and product portfolio supports a robust business model, reducing risk and volatility of the Group. Hence, it is a key priority for the Group to remain differentiated going forward when growing its business.

Today, the Group holds a strong position within SMEs and the agricultural sector through many years of specialisation. The SMEs operate within a broad selection of industries such as within craftsmanship, production, repair shops, retail, wholesale, transport, and various service industries e.g., restaurants, cleaning etc. Furthermore, it is a key ambition for the Group to further differentiate the product portfolio by also accessing large corporates and specialised insurance customer segments such as marine, cargo and renewable energy. Due to the Group's differentiation of customer industries and products, the Group considers itself to be less vulnerable and exposed to any single adverse events or impacts.

- **High value strategic partnerships**

The Group seeks to grow through both bank partnerships and other key strategic partnerships. The active partnership strategy will enable the Group to strengthen its position in the market via new customer experiences and new solutions, thereby tapping into further growth opportunities.

As an example, using cloud technology, the Group has built an open API (application programming interface) for standardised and secure integration with the Group's partners. This covers the entire value chain from lead generation to client onboarding, sales, and support. The API is utilised by the Group itself ("partner" on own platform) as well as Volkswagen Semler Finans Danmark A/S (VWSF) and will soon be utilised by Sydbank A/S.

The addition of Privatsikring will, following completion of the Acquisition, be a strong supplement to the growth strategy within bancassurance, aiming to increase penetration through bank partnerships. As such, the Company believes that Codan Denmark will supplement the Group's current products and offerings to its customers.

- **Strong and improved organisational structure**

In 2020, the Group announced a new organisational structure, where it was re-organised into a commercial and a private customer segment across the business units within the Group.

The Company believes that the new organisational structure will drive a process of change through a clear strategic vision and ambition to ensure the Enlarged Group is a Danish tier 1 non-life insurance business.

The purpose of the optimisation of the organisational structure is to have a holistic approach to the customers and customer experience to support cross selling activities. Consequently, the organisational structure supports cross selling between non-life and life insurance and sale through bancassurance and other partnerships. At the same time business development and IT development have been merged into one unit to increase the development focus and capabilities.

- **Intelligent and prudent capital management**

The Group's capital management strategy is based, and the Enlarged Group's capital management strategy will be based, on the objective of achieving a solid total capital base which, in addition to supporting the regulatory requirements, is sufficient to comply with the Group-determined requirements to ensure that the Group is able to absorb major adverse events such as a major storm or losses on the financial markets without such events impacting the Group's other liabilities or overall risk profile. The Group has defined a target for the capital level to facilitate this. The Company is the ultimate consolidating parent company in respect of the Group's Solvency II capital requirements. Reference is made to Part I, section 10.11 – "Operating and financial review of the Group" – "Liquidity and capital resources" for further details on the Group's capital management and resources.

The capital target is calibrated on a yearly basis as a minimum and is set to ensure that the Group at any time has sufficient capital to meet the Group's regulatory capital requirements in case of major adverse events. Capital exceeding the defined capital target level is typically distributed as dividends to the shareholders on a yearly basis.

The capital levels are continuously monitored and estimated on a forward-looking basis based on the expected developments in both business activities and adjusted regulatory requirements, if any.

Furthermore, the capital projections are on a continuously basis stress-tested to evaluate the capital situation against the current risk exposure.

The Group has laid down specific thresholds in the level between the targeted capital level and the regulatory requirements. If the capital falls between these levels, initiatives are taken to restore the capital at the targeted levels.

Alm. Brand Forsikring A/S uses a partial internal model for the calculation of non-life insurance risks as this model is considered to give a more true and fair view of the risks than

the standard model set out in Solvency II. The standard model is used for calculation of other risks in the Group.

With the sale of Alm. Brand Bank A/S (now Syd ABB A/S) on 1 October 2020, the Group freed up a net capital amount of DKK 1.2 billion, which was paid out to shareholders in an extraordinary dividend of DKK 8.00 per share in January 2021. Similarly, the sale of Alm. Brand Liv og Pension will free up capital in the Group in a total amount of about DKK 900 million.

In April 2021 the Group paid out a dividend of further DKK 7.00 per share of which DKK 4.00 was related to the financial year 2020 and DKK 3.00 related to postponed dividend for the financial year 2019.

Reference is made to Part I, section 18 – "Dividends and dividend policy" for further details on the Company's dividend payments and dividend policy.

The Management expects that the Enlarged Group's approach to capital management and overall risk appetite will remain substantially similar.

For the strategic rationale of the Acquisition, please see Part I, section 5.2 – "Details of the Acquisition" – "Strategic rationale".

#### **6.4 History**

The Group was established by a Royal decree signed by King Christian the Seventh on 29 February 1792. At that time, the objective of the Group was exclusively to offer fire insurance for properties outside Copenhagen and in provincial towns. However, the principal objective of providing insurance coverage for the average Dane has not changed over the years and this is still the principal objective of the Group today.

The Group has acquired several companies and expanded its business areas over time.

The following sets forth key milestones of the Group's business:

- In 1984, Alm. Brand af 1792 G/S acquired the company called Livsforsikringsaktieselskabet Nordlyset-Liv which was subsequently renamed Alm. Brand Liv og Pension A/S.
- In 1988, Alm. Brand af 1792 G/S acquired SJL-banken A/S which was renamed Alm. Brand Bank A/S (now Syd ABB A/S) situated in Jutland. SJL-banken A/S was originally named Bonusbanken A/S.
- In 1989, Alm. Brand af 1792 G/S acquired Københavnske Re. (A/S Det Københavnske Reassurance-Compagni). At the same time, the Company was founded.
- In 1996, Alm. Brand A/S acquired the private limited company Utrecht.
- In 1999, Alm. Brand af 1792 G/S acquired a controlling interest in the financing company Gefion A/S. Gefion A/S subsequently became the parent company for the Group's financial

activities. Gefion A/S and the Company were merged with Gefion A/S as the surviving company under the name Alm. Brand A/S.

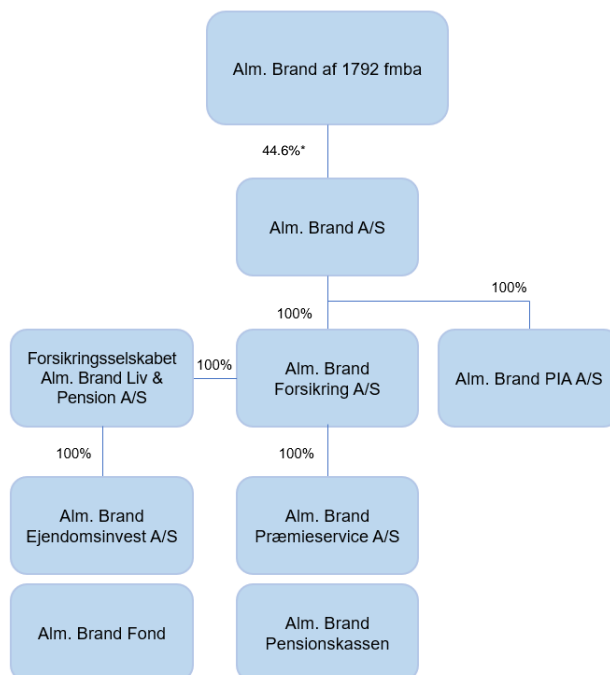
- In 2000, Alm. Brand A/S acquired the Danish activities of Zurich life insurance.
- In 2001, Alm. Brand af 1792 G/S acquired Provinzial Danmark A/S, SamLiv and Cykel-handlernes Forsikringsselskab.
- In 2002, the Group acquired the non-life insurance portfolio from Alm. Brand af 1792 G/S. All activities were hereafter under the Group, and Alm. Brand af 1792 G/S was transformed into a limited liability association (fmba).
- In 2003, Provinsforsikring A/S merged with the Group.
- In 2006, the Group acquired Henton Børsmæglerselskab A/S.
- In 2009, the Group sold Københavnske Re. (A/S Det Københavnske Reassurance-Compagni).
- In 2014, the Group liquidated Alm. Brand Formue A/S.
- In 2017, the Group acquired the insurance company Trafik G/S.
- In 2018, Group acquired the activities in Saxo Privatbank A/S.
- In 2020, the Company sold Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S.
- In 2021, the Company announced that it has enter into an agreement regarding acquisition of Codan Denmark.
- In 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

## **6.5 Legal structure**

The following chart provides a summary of the Group's legal structure as at the Prospectus Date.



**Figure no. 2 - Legal structure of the Group as at the Prospectus Date**



\* Based on approximate current ownership as of the Prospectus Date.

Alm. Brand A/S is the principal operating company of the Group. Non-life insurance is distributed through Alm. Brand Forsikring A/S and life insurance is distributed through Alm. Brand Liv og Pension. However, on 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

Alm. Brand Ejendomsinvest A/S operates properties within the Group. Other subsidiaries operate the Group's financing and administration, including Alm. Brand PIA A/S, which is administering, among others, mortgage deeds and debt collection. Alm. Brand Fond may give prize awards and gifts on anniversaries and other red-letter days in the Group and companies controlled by the Association and may carry out activities related to damage prevention but has not carried out any of such in recent years due to lack of returns on its own funds. Alm. Brand Pensionskassen is a run-off portfolio of pension obligations towards less than 40 previous employees.

A large part of the Company's shares is owned by the Association which as at the Prospectus Date holds approximately 44.6% of the total share capital in the Company. No other shareholder holds 5% or more of the capital or the voting rights of the Company.

## 6.6 Corporate social responsibility

The Group seeks to conduct its business in a responsible and sustainable manner with its vision: "We take care of our customers". "Taking care of" applies not only to customer relationships,

but also to employee relationships, environmental and climate matters and to matters concerning society in general. As an example, the Group reduced its energy consumption by 16% per employee in 2020 which however may have been partly due to the reduced use of the Group's premises as a consequence of the COVID-19 Measures.

The Group has in place a policy for corporate social responsibility (CSR) focused on environment and climate, social and employee-related matters, anti-corruption and anti-bribery, human rights and socially responsible investments. These focus areas have been chosen because the Group is able to have a positive effect on these areas by acting responsibly.

Development and follow-up on these focus areas are covered by the Group's annual CSR report. The Group strives to operate transparently and thus agrees with the basic principles of the Danish Recommendations on Corporate Governance. This is reflected in the Group's management approach, which is generally consistent with these recommendations.

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

For further information on corporate social responsibility reference is made to the CSR report for 2020 published on the Company's website, [www.almbrand.dk](http://www.almbrand.dk). The information on the Company's website does not form part of this Prospectus and is not incorporated by reference into this Prospectus, unless specifically stated in Part I, section 19.1 – "Additional information" – "Financial statements".

## **6.7 Operations**

The Group carries out business within two main operating segments: Non-life insurance (split between the private customer segment and the commercial customer segment) and life insurance (also covering pension products). The customer segment for private customers and commercial customers are not operating segments as defined in the International Financial Reporting Standard 8, *Operating Segments*. Prior to the sale of Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S in November 2020, the Group had three operating segments, which included the operating segments outlined above as well as the banking segment. In 2020, Alm. Brand Bank A/S (now Syd ABB A/S) is presented as discontinued operation.

The tables below present the Group's gross premium income, gross claims ratio, net reinsurance ratio, claims experience, gross expense ratio and combined ratio for the non-life insurance operating segment.

**Table no. 11 – Gross premium income, gross claims ratio, net reinsurance ratio, claims experience, gross expense ratio and combined ratio for the non-life insurance operating segment of the Group**

Non-life insurance	Nine months ended 30 September		Financial year ended 31 December		
	2021 <sup>1)</sup>	2020 <sup>1)</sup>	2020	2019	2018
<b>Overall</b>					
Gross premium income (DKKm)	4,045	3,996	5,471	5,365	5,274
Gross claims ratio (%)	68.4*	66.0	64.6	67.4*	65.2
Net reinsurance ratio (%)	-0.4	3.2	3.6	4.6	4.6
Claims experience (APM) (%)	68.0*	69.2	68.2	72.0*	69.8
Gross expense ratio (%)*	17.3*	16.9	16.9	17.4*	17.2
Combined ratio (%)	85.3*	86.1	85.1	89.4*	87.0
<b>Private</b>					
Gross premium income (DKKm)	1,941	1,973	2,761	2,698	2,670
Gross claims ratio (%)	61.1*	63.8	61.3	65.8*	66.3
Net reinsurance ratio (%)	2.0	1.9	2.0	2.2	1.9
Claims experience (APM) (%)	63.1*	65.7	63.3	68.0*	68.2
Gross expense ratio (%)*	19.7*	18.1	18.3	19.2*	19.3
Combined ratio (%)	82.8*	83.8	81.6	87.2*	87.5
<b>Commercial</b>					
Gross premium income (DKKm)	2,104	2,023	2,710	2,670	2,604
Gross claims ratio (%)	75.1*	68.1	68.1	69.0*	64.0
Net reinsurance ratio (%)	-2.5	4.5	5.0	7.0	7.4
Claims experience (APM) (%)	72.6*	72.6	73.1	76.0*	71.4
Gross expense ratio (%)	15.0*	15.7	15.5	15.6*	15.1
Combined ratio (%)	87.6*	88.3	88.6	91.6*	86.5

\*) The ratios marked with an asterisk are adjusted ratios and consequently they are considered alternative performance measures (APM). Both adjusted and not adjusted claim experience are an APM as this ratio is not defined by the regulation for insurance companies issued by the Danish FSA. The ratios are explained and defined in section 4.5 - "Presentation of Financial Information" – "Key ratios and alternative performance measures" and presented in section 10 – "Operating and financial review of the Group".

<sup>1)</sup> The numbers presented under "overall" are derived from the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020. The other numbers are derived from the underlying accounting records. The figures for the financial period ended 30 September 2021 and 2020 do not include health and accident insurance that legally belongs to Alm. Brand Liv og Pension A/S but have previously been presented under non-life insurance as the activity has the character of a non-life insurance product. In the financial period ended 30 September 2021 and 2020 health and accident insurance has been presented under discontinued activities due to the conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS

regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

The tables below present the Group's gross premiums and bonus rate for the life insurance operating segment.

**Table no. 12 – Gross premiums and bonus rate for the life insurance operating segment of the Group**

Life insurance	Nine months ended		Financial year ended		
	30 September 2021 <sup>1)</sup>	2020 <sup>1)</sup>	31 December 2020	2019	2018
<b>Overall</b>					
Gross premiums (DKK)	1,038	1,108	1,504	1,850	2,004
Bonus rate (%)	17.7	13.5	15.2	16.1	18.6

<sup>1</sup>The figures for the financial period ended 30 September 2021 and 2020 has been presented under discontinued activities due to the conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

All the ratios are shown for the first nine months of 2021 and 2020 respectively and for the years ended 31 December 2020, 2019, and 2018. For further details on how the ratios are calculated, reference is made to Part I, section 4 – "Presentation of financial information".

#### 6.7.1 Description of the products

The Group's non-life insurance business provides general insurance products to both private and commercial customers, including personal accident, workers' compensation, vehicle, fire & content insurance and liability insurance. The Group's life insurance provides insurance cover and various types of savings. Some of the main insurance types are death cover, disability cover and critical illness cover, whereas savings comprise capital pension plans, instalment pensions and annuity schemes.

The Group's principal products within non-life insurance include the general insurance products presented below. The gross premium income and the relative share disclosed below for Q1 – Q3 2021 exclude health and accident for Alm. Brand Liv og Pension that in Q1 – Q3 2021 has been presented under discontinued activities due to the conditional sale of Alm. Brand Liv og Pension. In 2020 gross premium income for health and accident for Alm. Brand Liv og Pension is included under Personal accident.

- **Personal accident.** Personal accident covers for accidental bodily injury and death resulting from accidents. Compensation takes the form of a lump sum intended to help the customer cope with the financial consequences of an accident, thereby making their daily lives easier. The insurance can include a number of supplementary covers. Personal accident insurance accounted for 12.0% of the total gross premium income in 2020 (2019: 11.9%) and 10.3% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 9.9%). The

health and accident product in Alm. Brand Liv og Pension has been included in the statement of personal accident as it is categorized as an insurance product. As a result of the agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S, health and accident for Alm. Brand Liv og Pension is presented under discontinued activities in the in Q1 – Q3 2021.

- **Workers' compensation.** Workers' compensation covers for employees against bodily injury sustained at work. Workers' compensation insurance is mandatory and covers a company's employees (other than for public sector employees and persons working for sole proprietors). Workers' compensation accounted for 8.1% of the total gross premium income in 2020 (2019: 8.0%) and 9.5% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 8.3%).
- **Vehicle (Motor):** Vehicle comprises mandatory third-party liability insurance providing cover for injuries to a third-party or damage to a third-party's property, and a voluntary comprehensive insurance policy that provides cover for damage to the customer's own vehicle from collision, fire or theft. Vehicle insurance accounted for 27.7% of the total gross premium income in 2020 (2019: 27.7%) and 27.5% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 28.3%).
- **Fire & content.** Fire & content provides cover to the private customer segment for the loss of, or damage to, the contents of private dwellings as a result of fire, storms, or water with a range of additional features, such as cover for valuables temporarily away from home, liability arising from ownership or occupancy and cover for damage to electronic equipment. In relation to commercial, fire & content includes building insurance and covers the loss of or damage to the buildings, stock or equipment of commercial customers. Fire & content insurance accounted for 44.4% of the total gross premium income in 2020 (2019: 45.0%) and 44.8% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 45.5%).
- **Liability.** Liability provides cover for both commercial general liability and product liability. Commercial general liability is a type of insurance policy that provides coverage to a business for bodily injury, personal injury and property damage caused by the business's operations, products, or injuries that occur on the business's premises. Commercial general liability is considered comprehensive business insurance though it does not cover all risks a business may face. Product liability insurance is a type of business insurance that can cover the cost of compensation claims if someone is injured or their property is damaged by a product sold by the policy holder. Liability accounted for 2.5% of the total gross premium income in 2020 (2019: 2.5%) and 2.7% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 2.6%).
- **Health insurance.** Health insurance is sold as a white-labelled product from If Skadeforsikring to ensure a share and flexible insurance price. Health insurance consists of workers' compensation insurance and personal accident insurance.

The Group's principal products within life insurance include the following products:

- **Life insurance.** Life insurance covers the traditional biometrical risks being:
  - **Death.** Death risk is offered upon submission of satisfying health declarations. Death risk is both offered as stand-alone products but also through company pension plans and as a group life product in “Forenede Gruppeliv”.
  - **Disability.** Disability risk is covered as a non-life product in life insurance meaning that the product is priced on a yearly basis and subject to conditions which may also be amended upon notice to the insurers. Premium waivers are still written as disability in life.
  - **Critical illness.** Critical illness is primarily sold via “Forenede Gruppeliv” to private clients and within company pension plans. There is a limited portfolio of critical illness coverages sold on own books which has been and still is sold in a bundled package with a death cover, at a price level corresponding to the cover sold via “Forenede Gruppeliv”.
- **Pension savings.** Pension savings comprise capital pension plans, instalment pensions and annuity schemes. Alm. Brand Pension provides guaranteed savings products on own book whereas market-based products are sold via Sydbank A/S. It is possible to combine market-based products with guaranteed savings products. Pension savings can be established both for individuals as well as for company pension plans.

#### 6.7.2 Non-life insurance

##### Overall

As of 31 December 2020, the Group's non-life insurance had around 320,000 household customers and 90,000 corporate customers. The Group is the third largest non-life insurer in Denmark with a market share of 8.9% and Codan Forsikring is the fourth largest non-life insurer in Denmark with a market share of 8.5%, both based on gross premium income in Q3 2020 according to the latest available statistics from the Danish industry organisation Forsikring & Pension.

Non-life insurance is the Group's core business and focuses primarily on the Danish market and especially on private customers, small and medium-sized enterprises, and agriculture customers. The Group's products for private and commercial customers are distributed through customer service centres (33%), tied agents (58%) and brokers (9%) based on gross premium income for the financial year 2020.

The non-life insurance business represents 99.2% of the total income for the first nine months of 2021 (Q1 – Q3 2020: 100.0%). Premium from life insurance is presented within discontinued activities in the first nine months of 2021 and for the comparative period in 2020, thus the majority of total income consist of premium income from non-life insurance.

Retention rates for customers within the private and commercial customer segments amounted to:

- Non-life private customer segment: 88.1% in Q1 – Q3 2021 and 88.1% in 2020 (2019: 89.4%; 2018: 90.8%)
- Non-life commercial customer segment: 90.9% in Q1 – Q3 2021 and 90.4% in 2020 (2019: 90.3%; 2018: 91.2%)

Non-life insurance activities in 2020 were affected by COVID-19 and the ensuing periods of partial lockdown of society. Towards the end of Q1 2020 and going into Q2 2020, society saw a lower-than-usual level of activity with fewer claims being reported consequently. During the summer of 2020 claims experience gradually returned to normal, but increased COVID-19 infection rates and the renewed lockdown of society in late autumn 2020 and in the following winter months again reduced activity levels, leading to fewer reported claims. This claim pattern was primarily relevant to the Group's casualty, motor and travel insurance lines.

The positive trend in the claims experience in 2020 should be seen against the backdrop of a general decline in activity levels during the lockdown of society, with COVID-19 affecting the claims experience favourably by a little more than two percentage points for the period from 2019 to 2020. The claims experience was also positively impacted by a lower level of expenses for weather-related claims and major claims (single claims or claims events gross above DKK 1 million) as well as by the favourable effects of procurement and claims processing initiatives such as STP (robotic automation processes) and RPA. Finally, gains from claims reserve releases affected the claims experience favourably by 2.1 percentage points for the period from 2019 to 2020. Net of gains from claims reserve releases, the claims experience was 70.3% in 2020.

Gross premiums rose by 2.0% in 2020, an improvement from the 2019 growth rate of 1.7%.

## **Private**

The private customer segment comprises the Group's sales of insurance 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. However, on 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. Of the total distribution, 84% of the private customer products and services are distributed through customer service centres and 16% are distributed through tied agents, both based on numbers for the financial year 2020. Fire & content insurance represents the largest product segment within the private customer segment at 42.5% of gross premiums in 2020 (2019: 42.9%).

Customer retention rates fell slightly in 2020, although the retention rate remained at a high level.

The Group has implemented numerous operational and structural initiatives focused on enhancing profitability in relation to its private customer segment which continued in 2020 with price increases for a number of private customers whose risk was not correctly reflected in the price.

As an example of such initiatives, the Group has recently developed digital solutions that give customers access to online self-service and purchase of insurance, e.g., via distribution partners' digital customer platforms. Generic digital solutions such as these bring agility and opportunities to enter into new distribution partnerships and forms.

Competition is intense for some specific non-life insurance products. In 2020, the vehicle insurance product was under pressure due to competitive pricing in the market. As customers typically prefer to hold all insurance policies with one insurance company, this has a negative follow-on effect on other insurance products as well. At the end of 2020, the Group reacted with a number of price adjustments across the vehicle insurance products to ensure a continued competitive value proposition.

Premium income was up by 2.5% in 2020 primarily driven by the lower level of activity in society caused by COVID-19 and due to competition for some specific non-life insurance products, for instance vehicle insurance.

### **Commercial**

Commercial comprises the Group's sales to agricultural and commercial customers through own sales channels and partnerships. Of the total portfolio, 44% of the commercial customer products and services are serviced through customer service centres, 34% are serviced through tied agents and 23% are serviced through brokers, all based on numbers for the financial year 2020. As in the private customer segment, fire & content insurance represents the largest product segment at 46.2% of gross premiums in 2020 (2019: 47.1%).

The customer retention rate remained at a stable and high level.

Premium income was in 2020 up by 1.5%. Competition from Danish players in the commercial customer market was generally fierce. Moreover, premiums on workers' compensation insurance, among other things, were adjusted in connection with redundancies as a result of the lockdown of society, just as the lower level of activity in society had a direct effect on sales to new commercial customers in particular.

#### **6.7.3 Life insurance**

The Group's life insurance business annually assists approximately 70,000 customers. 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. The product range comprises insurance cover and various types of savings.

The Group's life insurance products are distributed through tied agents (31% based on gross premium income), consultants (60% based on gross premium income) and branches (9% based on gross premium income) based on numbers for the financial year 2020. Due to the divestment of Alm. Brand Bank A/S (now Syd ABB A/S), the Group's life insurance products in 2021 and in the future will not be distributed through branches.



Pension savings are tailored entirely to individual customer needs and requirements. The Group's guaranteed pension products offer one of the highest deposit interest rates on policyholders' savings in the market. By offering a deposit interest rate on policyholders' savings of 3.0% in 2021, the Group is the market leader for the eighth year running.

The strategic partnership established with Sydbank A/S after Alm. Brand Bank A/S (now Syd ABB A/S) was sold to Sydbank A/S in 2020 provides that the market rate product is now offered through Sydbank A/S.

Total premium income for 2020 was down 19% from 2019 due to a large decline in single payments, slightly offset by the regular premiums having a modest growth of 2%. The reason for the decline in single payments was, among other things, a combination of restraints on new or additional customers due to uncertainty triggered by COVID-19 and a lower rate on policyholders' savings in 2020 compared to 2019. The latter resulted in more customers opting for the Group's market rate product which is now offered through Sydbank A/S. The commercial customer segment remained the Group's primary growth driver for regular premium payments. Growth in the commercial customer segment was driven by several strategic initiatives that have supported developments, including adjusted pricing of selected products in order to strengthen competitiveness.

On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

### **Private customer segment of life insurance**

The life insurance business has been built on the foundation of the private customer segment, which represents the largest customer segment with 51% of premiums in life insurance in 2020. Due to the unique guaranteed product offering with an attractive risk-return profile compared to other asset classes and alternative pension solutions, approximately 82% of the private customers are +50 years old and relatively close to retirement. The +50 years old customer segment is usually characterised by high savings and with a very good fit to the Group's pensions and life insurance products. In 2020, 98% of the private customers had a yearly payment of less than DKK 50,000 per year.

### **Commercial customer segment of life insurance**

The commercial customer segment is based on three sub-segments: the traditional corporate customers, framework agreements with partners and the employee scheme for the Group. The traditional corporate customer segment represents 19% of the premiums in life insurance in 2020.

Traditionally, the Group's pension business has focused on private customers but has increasingly started to focus even more on small corporate customers over the last couple of years. The corporate customers primarily consist of small companies with less than 10 full-time equivalents (FTEs) within a broad range of sectors. The corporate customers are primarily generated

through the portfolio of the non-life business and is therefore a very diversified corporate customer base with no single large exposure.

The framework agreements with partners represents 17% of the premiums in 2020 and is generated through five different partners. Reference is made to Part I, section 6.2 – "Business overview of the Group" – "Strengths of the Group".

The employee scheme for the Group represents 13% of the premiums in 2020.

#### **6.7.4 Distribution**

In 2020, distribution of both non-life and life insurance products on a combined basis were split among the following distribution channels: tied agents (65.2%), customer service centres (23.9%), brokers (7.3%), strategic partnerships (2.2%) and online sales (1.4%). Customer service centres provide advisory services to customers from three regional service centres while tied agents provide services locally from either sales centres or regional offices. The Group as well as its agents and partners distribute all non-life insurance, life insurance as well as pension products of the Group using the Alm Brand brand. As part of the Group's partnership with Volkswagen Semler Finans Danmark A/S, the Group may provide white label motor insurance products.

#### **6.8 Material agreements**

Other than material agreements entered into in the ordinary course of the Group's business, reference is made to Part I, section 21 – "Material " for details on material agreements entered into in the two years immediately preceding the Prospectus Date.

Further, reference is made to Part I, section 17 – "Related party transactions" for further details on related party transactions entered into by the Group or other members of the Group during the financial year ended 31 December 2020 and during the period up to the Prospectus Date.

#### **6.9 Significant changes impacting the Group's operations and principal activities**

On 1 October 2020, the Company and Sydbank A/S entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Bank A/S (now Syd ABB A/S). Simultaneously, Sydbank A/S entered into agreements on acquiring the Company's receivables under two senior non-preferred capital instruments issued by Alm. Brand Bank A/S (now Syd ABB A/S) and the Association's receivable under a tier 2 capital instrument issued by Alm. Brand Bank A/S (now Syd ABB A/S). In addition to the agreements on sale of shares and capital instruments, the parties agreed to enter into the partnership agreement as described in Part I, section 21 – "Material ". The sale of Alm. Brand Bank A/S (now Syd ABB A/S) was completed at 95% of the net asset value and freed up capital of DKK 1.2 billion. The closing conditions applicable to the share purchase agreement were met 30 November 2020. The Group has agreed to provide certain transitional services to Sydbank A/S for an interim period after closing to ensure that the business of Alm. Brand Bank A/S (now Syd ABB A/S) is able to continue to run substantially in the same manner as before closing of the transaction.

On 11 June 2021, the Company entered into an agreement regarding the Acquisition, see Part I, section 5 – "Details of the Acquisition" for further information about the Acquisition.

On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

## **6.10 Investments**

Each legal entity in the Group has its own individualised investment portfolio and strategy. Further, the investments of Alm. Brand Forsikring A/S are divided in a hedging portfolio matching liabilities and free funds investments. The investments of Alm. Brand Liv og Pension are divided into three respective portfolios related to securities owned by the policyholder, a hedging portfolio matching liabilities from life and non-life insurance and the own funds investments.

The Group's investment portfolios are managed in accordance with the Group's investment policies and guidelines. In addition to the Group's overall investment policy, there is a specific policy on responsible investments and on active ownership. The Group's investment policies are divided into policies and guidelines applicable to each of the Company, Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension.

In Q4 2020, the Group selected Nykredit Asset Management as manager for its investments in regular bonds, credit bonds and equity investments. In connection with the change of asset manager, the Group commenced establishing three group-wide investment funds with Danish mortgage funds having different characteristics and a group-wide investment fund with European Investment Grade Credit bonds. The goal is to achieve a satisfactory financial risk/return ratio with respect to both assets and liabilities. The financial risk is further adjusted using financial derivative instruments.

The total market value of the Group's investment portfolio (not including assets related to securities owned by the policyholders in Alm. Brand Liv og Pension) was DKK 12.9 billion as of 31 December 2020, consisting of Alm. Brand Forsikring A/S of DKK 10 billion, Alm. Brand Liv og Pension of DKK 1.3 billion and the Company of DKK 1.6 billion.

Alm. Brand Forsikring A/S' portfolio is divided into a large hedging portfolio of DKK 6.7 billion and a smaller free funds investment portfolio of DKK 3.2 billion. The large hedging portfolio is composed of low-risk fixed income assets that match the insurance liabilities by duration so that fluctuations resulting from interest rate changes are offset to the greatest possible extent. The objective is for the return on the hedging portfolio and liabilities to be as close as possible to zero as capital gains and losses on the hedging portfolio should be mirrored by corresponding development on the liabilities. This causes a reduction of the overall volatility and therefore the solvency capital required by Alm. Brand Forsikring A/S. The free funds portfolio is intended to produce the maximum risk-adjusted return with a low-risk appetite. The free funds portfolio is invested in fixed-income securities with short duration, European corporate bonds, emerging markets debt, equities, and property funds.

Alm. Brand Liv og Pension's portfolio is invested in a hedging portfolio similar to the matching portfolio in Alm. Brand Forsikring A/S of DKK 501 million 31 December 2020. The goal of the portfolio is to match return of the insurance liabilities as much possible. The free funds portfolio is invested in short term Danish mortgage bonds of DKK 811 million 31 December 2020.

The portfolio of the Company consists primarily of short-term Danish mortgage bonds but also includes a few strategic equity investments.

In the financial year ending 31 December 2020, the Group's investment result after interest and price adjustment on technical provisions was a gain of DKK 58 million, against a gain of DKK 35 million in 2019. The result was favorably affected by a strategic increase of the exposure to equity and credit bonds from and including Q2 2020. For Q1 – Q3 2021 the total investment result excluding Alm. Brand Liv og Pension was DKK 10 million against a total investment result excluding Alm. Brand Liv og Pension of DKK -12 million in Q1 – Q3 2020.

The Group's fixed income portfolio is allocated to mortgage bonds, European corporate bonds, Danish government bonds, emerging markets debt and derivative fixed-income instruments. Investments in government and mortgage bonds are predominantly invested in issues carrying the highest rating, whereas investments in corporate bonds are mainly invested in the investment grade segment, i.e., investments carrying a rating of at least BBB-/Baa3. The low interest rate levels and the large remortgaging of loans based on callable mortgage bonds detracted from the return, whereas the bond portfolio investments were favourably affected by the interest rate declines in 2020.

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 to match the fluctuations on provisions occurring from market changes in the underlying components of the yield curve. The hedging strategy produced a satisfactory result throughout 2020, and the overall result of the hedging portfolio and value adjustment of provisions was positive.

The result of the mortgage deed portfolio fell as it was negatively impacted by low interest rate levels which increased the volume of redemptions, thereby triggering capital losses.

The Group has limited exposure to equities, consisting primarily of sustainable global equity funds and a portfolio of strategic equities. The global equity markets developed favourably in 2020 and thus made a positive contribution to the performance.

The necessary infrastructure to manage the Enlarged Group's investments is generally in place, both in respect of expertise as well as IT systems. The listed investment portfolios of the Group are organized in investment fund structures allowing the legal entities of the Group to allocate to the same strategies respecting the individual entities' risk appetite and the composition of their liabilities. Following the Acquisition, the investment portfolios of Codan Denmark will be allocated to the Group's existing investment funds setup. This will enable economies of scale and synergies when managing the investments and when monitoring risk as well as when per-

forming asset liability management. The illiquid investments will require more work to implement, but the Group has already a setup for real estate and illiquid credit investments that can be expanded to include such investments of Codan Denmark.

To ensure implementation, there will be some initial work organizing the investments in the respective investment funds, booking assets in investment accounting and portfolio management, and transferring assets to the custodians selected by the Group. However, the investment team has recently successfully been performing a much similar exercise when Alm. Brand Bank A/S (now Syd ABB A/S) was sold to Sydbank A/S and assets were transferred to Nykredit Asset Management.

**Table no. 13 – The Group's investment return**

<b>Investment Return (DKKkM)</b>	<b>Financial year 2018</b>		<b>Financial year 2019</b>	
	Investment assets	Return	Investment assets	Return
Bonds etc.	9,233	-8	9,479	119
Mortgage deeds etc.	941	13	803	5
Equities	194	-17	215	50
Properties	13	0	50	3
<b>Total return on investments</b>	<b>10,381</b>	<b>-12</b>	<b>10,547</b>	<b>178</b>
Administrative expenses related to investment activities		-27		-27
Return on and value adjustments of technical provisions		3		-116
<b>Investment return</b>	<b>10,381</b>	<b>-37</b>	<b>10,547</b>	<b>35</b>

<b>Investment Return (DKKkM)</b>	<b>Financial year 2020</b>	
	Investment assets	Return
Bonds etc.	11,807	96
Mortgage deeds etc.	641	-2
Equities	406	87
Properties	44	5
<b>Total return on investments</b>	<b>12,898</b>	<b>186</b>
Administrative expenses related to investment activities		-28
Return on and value adjustments of technical provisions		-100
<b>Investment return</b>	<b>12,898</b>	<b>58</b>

<b>Investment Return</b>	<b>As of 30 September 2020<sup>1)</sup></b>		<b>As of 30 September 2021<sup>1)</sup></b>	
<b>(DKKmn)</b>	Investment	Return	Investment	Return
	assets		assets	
Bonds etc.	8,685	35	9,104	-181
Mortgage deeds etc.	684	-1	533	6
Illiquid credit	0	0	48	0
Equities	351	48	383	27
Properties	43	4	281	11
<b>Total return on investments</b>	<b>9,763</b>	<b>86</b>	<b>10,349</b>	<b>-137</b>
Administrative expenses related to investment activities		-20		-10
Return on and value adjustments of technical provisions		-72		157
<b>Investment return</b>		<b>-6</b>		<b>10</b>

<sup>1)</sup> The numbers presented as of 30 September 2021 and as of 30 September 2020 are based on the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020 and are excluding Alm. Brand Liv og Pension presented as discontinued activities due to the conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of Alm. Brand Liv og Pension whereas the numbers for 2020, 2019 and 2018 consist of investments in non-life insurance and investments allocated to equity in life insurance.

## Bonds

As of 31 December 2020, the Group's bond portfolio had a value of DKK 11.5 billion (31 December 2019: DKK 9.5 billion). The Group actively manages its bond portfolio primarily based on credit quality, geographic location of the issuer and types of fixed income. Most of the Group's bond position is held within the hedging portfolios in Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension, which is composed of short-term Danish mortgage bonds, longer callable Danish mortgage bonds, European investment grade corporate bonds and a derivatives overlay. These portfolios match the insurance liabilities by duration to minimize fluctuations resulting from interest rate changes.

The Group also has bonds in free funds which consist primarily of short-term Danish mortgage bonds and also emerging markets debt and European corporate bonds.

The table below presents the composition of the Group's bond portfolio by rating based on estimated fair value as of 31 December 2020 and 2019.

**Table no. 14 – Composition of the Group's bond portfolio by rating, 2019 and 2020**

Rating	2020		2019	
	(DKKm)	(%)	(DKKm)	(%)
AAA	9,233	80.6	7,586	80.3
AA	1,134	9.9	1,446	15.3
A	804	7.0	189	2.0
BBB or lower	289	2.5	224	2.4
Total	11,460	100.0	9,445	100.0

Due to the high share of bonds rated AA or higher 49% the credit risk on the Group's bond investment is very limited.

The table below presents the scheduled maturities for the Group's investments in bonds as of 31 December 2020 and 2019.

**Table no. 15 – Scheduled maturities for the Group's investments in bonds as of 31 December 2020 and 2019**

<u>(DKKm)</u>	2020	2019
Duration 1 year or less	2,706	2,065
Duration 1 -5 years	4,392	5,246
Duration more than 5 years	4,361	2,134
Total	11,460	9,445

As of 31 December 2020, the option adjusted duration of the Group's bond portfolio including interest derivatives was 2.9 years. The option adjusted relates primarily to callable Danish mortgage bonds and reflects the expected duration-shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.

## Shares

The Group's shares are all held in Alm. Brand Forsikring A/S in three different portfolios.

The equities in the free funds portfolio are approximately 80% invested in passively managed equities and 20% invested in actively managed funds all with high ESG rating.

The matching portfolio also have long-term equity positions with a holding time of at least five years on average.

The strategic equity portfolio is a small portfolio consisting of industry specific stocks kept in order to run the Group.

The Group intends to maintain a diversified international equity portfolio in order to minimize risk relating to any single market or any single company. The Group's equity portfolio reported a return of DKK 87 million in 2020 (2019: DKK 50 million).

### **Investment property**

The Group's only property portfolio is in Alm. Brand Forsikring A/S within its free portfolio. The Group's commitments to invest in property are held in three European property funds, where two of them are core funds and one is a long lease fund.

As of 31 December 2020, the invested capital in property consisted of DKK 44 million in the core fund managed by Fidelity. Since then, further investments have been drawn from Fidelity, the other core fund managed by CBRE and from the long lease fund managed by M&G.

### **Other investments**

On 11 June 2021, the Company announced that it had entered into a conditional share purchase agreement with the Sellers concerning the acquisition of the entire issued and to be issued share capital of Chopin NewCo A/S (now: Chopin Forsikring) (the Share Purchase Agreement). The Acquisition is expected to be completed during H1 2022. For further information, please refer to Part I, section 5 – "Details of the Acquisition" and Part I, section 21 – "Material".

The Group is investing substantially in a transformation of its IT system to being a cloud-based IT system. The purpose hereof is to increase the Group's competitive advantage relatively to its competitors and to ensure that the Group is well-prepared for being able to implement and use future IT programmes. The Management believes that a cloud-based IT system will increase the Group's ability to provide a complete digital product offering and to have more effective operating processes in addition to increasing the Group's IT security.

The implementation of new partnerships has driven, and is expected to continue to drive, significant investments in IT during the coming years, hereunder to ensure an integration of the products and digital solutions for the benefit of the customers of the Group and the Group's partners.

## **6.11 Underwriting and pricing**

Alm. Brand Forsikring A/S manages underwriting and pricing risks through its underwriting strategy, reinsurance arrangements and claims handling. The underwriting strategy aims to ensure that risks are fully understood and priced at the appropriate profit level. In addition, Alm Brand Forsikring seeks diversification of underwriting risks in terms of type, industry and geography, and appropriate reinsurance purchases, in order to manage earnings volatility.

The risk appetite for Alm Brand Forsikring is limited to risks in Denmark and is mainly considered low. Most of the portfolio in the commercial customer segment is agriculture and small- to mid-sized companies in Denmark. Only very limited risks are located outside of Denmark.

Based on principles set out in the Company's policies adopted by the Board of Directors, management forums, which examines underwriting and claims issues, reviews and agrees underwriting direction and sets out guidelines, frameworks and directives where appropriate.

Pricing of the Group's products are generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to



recognise anticipated changes in claims patterns. While claims remain the Group's principal cost, the Group also makes allowance in its pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital which the Group exposes to risk. The focus of the Group's underwriting function is to ensure that premiums charged are sufficient to cover the cost of claims and expenses and provide a suitable margin for delivering a sustainable return for shareholders. A majority of the customers is offered a premium which is set according to tariff rates and risk factors calculated by pricing actuaries. For major commercial customers, premiums are based on factors including the respective companies' operations and performance history. Large risks (defined at a certain level; such as number of FTE's for workers compensations or size of portfolio for auto) are assessed in the Group's pricing department and discussed with the Group's underwriting function. The acceptance of the large risks are decided by either the board of directors or executive management, depending on established limits. The Group has a dedicated pricing function to ensure that tariff rates remain updated. The pricing and portfolio management functions interact and challenge each other to ensure a clear link between portfolio strategy and pricing actions following a structured pricing process.

Monthly, the development in the risk and profitability of the business customer segments are discussed with the Group's portfolio management function in business areas Privat and Commercial. At least once a year, the price rates for all products are thoroughly examined in a forum with representatives from the Group's underwriting function, claims function, reinsurance function and pricing function (actuarial).

The absolute majority of policies have a built-in right for the Group to decline a renewal of individual policies, and/or to amend the terms and conditions of individual policies in connection with agreement or policy renewals and to impose deductibles and to reject the payment of a fraudulent claim. Exceptions are handled through the Group's executive license extensions or special high-risk licenses. Alm Brand Forsikring reviews insurance risks on a regular basis and assesses these in relation to its underwriting, reinsurance and capital policies. Alm Brand Forsikring ensures all its policies are compliant with minimum statutory requirements.

## **6.12 Reinsurance**

The purpose of the Group's reinsurance 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. Reinsurance cover is taken out across the Group. The Group's reinsurance programme requires that the Group's reinsurers have at least an 'A-' ("A minus") according to Standard & Poor's or A.M. Best. This requirement has in a very limited number of cases been waived by the Board of Directors. In order to limit the Group's credit risks, the reinsurance programme is spread across a stable panel of reinsurers.

For Alm. Brand Liv og Pension reinsurance expenses came to a net amount of DKK 3 million in the financial year 2020, which was unchanged from the 2019 level and marked a satisfactory performance considering the reduction in risk and, by extension, in fluctuations of the Group's results from reinsurance. The net reinsurance ratio for the financial year 2020 was 3.6%. In 2020, the Group had one major fire claim of DKK 68 million that triggered coverage of DKK 38

million under the reinsurance programme, driving the net reinsurance ratio lower than the 4.6% reported in 2019. See Part I, section 4.5 – "Presentation of financial information" - "Key ratios and alternative performance measures" for further information on the calculation of ratio.

In the Management's view, the greatest single insurance risk relating to Alm. Brand Forsikring A/S, distributing the Group's non-life insurance products, is natural disasters and weather claims, for which the Group'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 indicate that the current reinsurance programme is expected to provide cover at least for losses resulting from a 1:200-year natural catastrophe event.

Expenses for weather-related claims net of reinsurance were DKK 49 million for the first nine months of 2021 and DKK 80 million in the financial year 2020, against DKK 140 million in 2019, which was also a mild year in terms of weather-related claims. Weather-related claims affected the combined ratio by 3.6 percentage points in the first nine months of 2021 and by 1.5 percentage points in the financial year 2020.

### **6.13 Reserves**

The Group establishes claims reserves to account for the anticipated ultimate costs of all claims and related loss adjustment expenses on claims that have already occurred. The technical claims provisions are divided into reserves for reported claims, incurred but not yet reported claims and loss adjustment expenses. Claims reserve estimates are based on known facts and on interpretation of circumstances, including experience with similar cases and historical claims payment trends. The models are recalibrated once a year taking into account development in products, claims payment trends, judicial decisions and economic conditions. Documentation is part of the annual actuarial report.

The Group's Head of Reserving and Forecast presents on a monthly basis the results from the reserving process at a signoff meeting where the Group's CEO and CFO are attending. At the meeting, development in KPIs are presented as well as specific areas of interest, risks and possible favourable or adverse developments that may need future attention. These risks and developments principally include:

- the possibility of future legislative change having retrospective effect on open claims;
- changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience;
- performance of inflation and interest hedges;
- general uncertainty in the claims environment; and
- the outcome of litigation on claims received.

## 6.14 Competition

The Danish general insurance market is mature and, accordingly, the total volume of insurance in Denmark has been relatively stable over the past few years but with a slight growth in recent years measured on Gross Premium Income. Further, the market is less consolidated relative to the rest of Scandinavia with market participants tending to focus significantly on customer service, which contributes to high retention rates and overall low expense ratios. See Part I, section 8 – "Trend information" for additional information on the Danish general insurance market. Following completion of the Acquisition, the market for non-life insurance, however, becomes more consolidated, and in the future the market may become even more consolidated. Similarly, new market entrants may enter the insurance market, which may impact the Enlarged Group, see also "Risk Factors", 2.2 – "Competition in the market for general non-life and life insurance may adversely impact the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group if they fail to keep pace with changes in the industry, including new challenges presented by traditional and non-traditional competitors, hereunder multi-national insurance companies and other companies, or fail to continue to provide attractive and innovative products and services, use of the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's products and services could decline and may thereby adversely affect their cash flows, business, financial condition, results of operations and prospects." and 2.3 – "The Group's and Codan Denmark's prospects depend and, following completion of the Acquisition, the Enlarged Group's prospects will depend on customer retention and a continued increase in demand for the products and services offered, the ability to focus on new customer segments, roll-out of adjacent product categories and the economic development in Denmark."

Danish insurance customers in general hold multiple policies with the same insurance company. Hence, insurers in the Danish market generally offer a broad range of products and offer bundling and discount programmes.

Online sales are relatively uncommon in Denmark but are growing and expected to grow further in the coming years. See also Part I, section 8 – "Trend information" for perspectives on the impact of COVID-19 and mitigating initiatives on the Danish general insurance market and economy.

## 6.15 Credit ratings

On 23 September 2021, the Company announced that the international credit rating agency Fitch Ratings (entity registered by the Financial Conduct Authority pursuant to the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019) has rated Alm. Brand Forsikring A/S and the Company for the first time. Fitch Ratings has assigned Alm. Brand Forsikring A/S an insurance financial strength rating (IFSR) of 'A+' and has assigned the Company a long-term issuer default rating (IDR) of 'A'. Both ratings are assigned a 'stable outlook' reflecting Fitch Ratings' expectation that the rating will remain at the level assigned in the short to medium term.

The rating is based on the Group's strong business profile, very strong financial position and very strong capitalisation. The 'stable outlook' designation reflects Fitch Ratings' expectation that the Acquisition and the establishment of the Enlarged Group as Denmark's second-largest non-life insurer will have a neutral effect on the Company's overall credit profile.

Issuer default ratings (IDRs) opine on an entity's relative vulnerability to default (including by way of a distressed debt exchange) on financial obligations. The threshold default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership or similar concepts. 'A'-IDR ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

The insurer financial strength rating (IFSR) provides an assessment of the financial strength of an insurance organization. The IFSR is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. 'A'-IFSR ratings denote a low expectation of ceased or interrupted payments. They indicate strong capacity to meet policyholder and contract obligations. This capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Credit ratings are not recommendations to buy, sell or hold the Existing Shares, the Pre-emptive Rights or the New Shares and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of a credit rating by one or more of the credit rating agencies may adversely affect the value and trading of the Existing Shares, the Pre-emptive Rights or the New Shares.

#### **6.16 Legal and regulatory proceedings**

As part of its ordinary course of business, the Group is and will from time to time be involved in discussions, disputes and legal proceedings, including claims relating to i.e., commercial counterparties, employees, intellectual property infringement or violations and other business-related disputes.

The results of such disputes and legal proceedings may be hard to predict, and the Group's assessment of the relevant disputes and proceedings may change as they unfold. The Group expenses legal fees as incurred and records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any material legal matter may result in damages being awarded, injunctions and/or termination of the Group's products, all of which could have financial implications exceeding any provisions made and therefore have an adverse effect on the Group's business, operating results, cash flow and financial position.

On 7 July 2021 the Danish FSA reported the Group and Codan Forsikring, together with a number of other Danish insurance companies, to the Danish police for not providing insurance cover for certain treatments related to pregnancy and the Group and Codan Denmark have subsequently, in October 2021, been charged. This may potentially result in fines to the Group and Codan Forsikring, which may impact the financial situation of the Group and Codan Denmark

and/or lead to reputational damage which in turn could affect the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's business, financial condition, results of operations and prospects.

Further, the Company has investigated a potential leakage of inside information by a person related to the Company and has reported the matter to the Danish FSA for further investigation. The relevant person is no longer related to the Group, and the Company considers the matter as closed for the Company.

As of the Prospectus Date, the Group is not otherwise, and during the previous 12 months has not otherwise been, involved in any material governmental, legal or arbitration proceeding which may have or have had in the recent past significant effects on the Group's financial position or profitability. Further, to the Management's knowledge, no such proceedings are otherwise threatened as of the Prospectus Date.

However, the Group is a party to various legal regulatory inspections arising in the ordinary course of business from the Danish FSA.

The Danish FSA initiated a routine inspection of Alm. Brand Forsikring A/S in April 2021. Based on the inspection, the Danish FSA issued the following orders to Alm. Brand Forsikring A/S in October 2021: (i) certain specific internal policies and guidelines shall be adopted in accordance with applicable governance requirements, (ii) the remuneration policy shall be updated to reflect Alm. Brand Forsikring A/S' pension policy and use of single bonuses below DKK 100,000, (iii) Alm. Brand Forsikring A/S' ORSA-report shall cover the entire strategic planning period, (iv) the effectiveness of the compliance function must be ensured, (v) two specific outsourcing agreements must be amended to fully comply with applicable outsourcing regulation, and (vi) the capital plan shall be updated to ensure it covers the risks which Alm. Brand Forsikring A/S may be exposed to in accordance with its strategy. The Danish FSA did not have comments to central matters such as provisions, capital, solvency or investments and Management expects that Alm. Brand Forsikring A/S will be able to comply with the orders by 31 December 2021.

## **6.17 Information technology and security**

As part of the Group's risk management, the Group has established several committees aimed at ensuring that material issues are addressed in a uniform manner across the Group.

One of the Group's committees is the Information Security committee (SIKO). The Information Security committee has the overall responsibility for the Group's information security and for ensuring that the Group maintains a balanced information security level and has up-to-date information security policies and guidelines. The Information 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 Group has established comprehensive contingency plans primarily focusing on business-critical systems and processes which seek to ensure that it can continue to operate its business in the event of a business disruption. The Group regularly reviews and updates these plans.

The Group's information technology systems are operated, maintained and supported by in-house providers and by third-party outsourcers. The Group's most important outsourcing suppliers provide IT services and in particular IT development and IT infrastructure services.

#### **6.18 Data protection**

With a view to reducing risks relative to the GDPR and data protection, the Group has a number of common procedures to accommodate requests for access to and erasure of data etc. and to handle and report personal data breaches to the Danish Data Protection Agency ("DDPA"). The Group has also appointed a common data protection officer ("DPO"), providing advice to the Group and overseeing GDPR compliance.

In addition, the Group has established a GDPR committee with the purpose of supporting and securing the Group's compliance with GDPR and other rules and regulations applicable to data protection. The GDPR committee advises and guides the Management having the principal responsibility of GDPR compliance. As such, the Management relies on the GDPR committee's recommendations. Further, the GDPR committee advises key employees in terms of GDPR related matters.

Further, the Group has established guidelines on how to handle GDPR and directions on how to treat personal information to its employees, and the Group maintains an emergency plan for data breach situations.

The Management continuously evaluates the Group's compliance risks including e.g., the Group's GDPR compliance and other matters related to data protection based on reports, analyses and recommendations from the DPO. As at the Prospectus Date, the Group's legal department is updating the joint GDPR policy applicable to Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension upon recommendation from the DPO.

Whilst the Group believes it has adequate procedures in place to protect personal data, including customer data, it has previously experienced a number of minor data breaches in its day-to-day business. These data breaches were notified to the DDPA in accordance with GDPR. All these cases are closed, and to the Management's knowledge, no data breach claims are threatened as at the Prospectus Date.

#### **6.19 Intellectual property**

The Group has registrations for the trademark under which it operates. As at the Prospectus Date, the Group has registered among others "Alm. Brand" as a trademark together with its logo that it uses to promote the Group. In addition, the Group has registered a number of domains associated with the Group. New intellectual property rights developed by employees as part of their employment will remain owned by the Group.

#### **6.20 Employees**

As of 30 September 2021, the Group had around 1,400 full-time employees (2020: around 1,400 full-time employees) working at the Group's head office in Copenhagen, Denmark, and in the Group's local offices.

In Denmark, employment conditions are generally determined by means of collective bargaining agreements entered into between trade unions and employers' associations. It is characterised by the social partners being largely autonomous in fixing the rules on the labor market. This also applies for the insurance sector including the Group, where the majority of the employees are members of Forsikringsforbundet. Collective bargaining agreements covers the insurance employees (excluding leaders, specialists and insurance agents), as agreed between Finanssektorens Arbejdsgiverforening and Forsikringsforbundet, and the insurance agents, as agreed between Finanssektorens Arbejdsgiverforening and Finansforbundet. In addition, employees may be covered by other collective bargaining agreements with labour unions with which the Group has agreements.

The Group has established a consultation committee consisting of the CEO of the Company, certain key employees, two representatives from the Group's staff association, who are both local Forsikringsforbundet representatives, one representative from the Danish Insurance Association (Assurandørforeningen) and one representative from ABC (the Company and its leader group association).

Further, employee elected members are represented in the Board of Directors (currently three representatives) and in the board of directors of the Association (currently three representatives).

Finally, employee elected members are also elected to serve on remuneration committees.

Through a bi-annual survey among its employees, the Group monitors developments in employee satisfaction and has defined a non-financial target for employee satisfaction. The target for employee satisfaction for 2022 is a score of 80 out of 100 compared to 77 as realised by end 2020. The Group has initiated various initiatives, for an example a new concept for management training with the aim of increasing the employee satisfaction and increased possibilities for working from home.

## **6.21 Material properties**

The Group divides material properties into owner-occupied properties and investment properties. Land and buildings owned by the Group are classified as either investment properties or owner-occupied properties. Owner-occupied properties comprise properties which the Group generally uses for administrative purposes. Other properties are classified as investment properties. The Group's head office is owned by Alm. Brand Ejendomsinvest A/S. In addition to the head office, the Group owns 12 properties of which eight are owned by Alm. Brand Ejendomsinvest A/S and four are owned by Alm. Brand Liv og Pension. Investment properties are a part of the Group's investments. For further information hereof, see Part I, section 6.10 – "Business overview of the Group" – "Investments".

In addition to the above, the Group rents 18 properties in Denmark of which 14 are offices and four are data centres. Properties are generally rented by the Group on what the Management deems as market terms and conditions.

## **6.22 Environmental, social and governance**

The Group's core values are rooted in proper conduct in the way the Group does business and in the way the Group interacts with the world.

Through the Group's policy for corporate social responsibility (CSR), the Group seeks to ensure alignment with its historical heritage and the pledge of proper conduct it have made to its customers and to develop its CSR landscape on an ongoing basis to ensure that the Group is up-to-date and aligned with changes in society. The Group'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 investments. These focus areas have been chosen because the Group is able to have a positive effect on these areas by acting responsibly.

The Group is a signatory to the UN Global Compact, which is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. Furthermore, the Group supports the Paris Agreement, a legally binding international treaty, signed by a large number of countries, on climate change.



## 7. BUSINESS OVERVIEW OF CODAN DENMARK

*This business overview contains a number of observations, judgments and estimates, especially in relation to market sizes, market share and market trends, which are based on the Management's estimates and publicly available information. The Management's estimates are generally based on the Group's knowledge of Codan Denmark, the market and various external research and industry reports. External sources were used only to a limited extent in the preparation of this business and market review. However, there can be no assurance that the Management has been provided the full overview of Codan Denmark or that other sources may express a different opinion of the market, etc. than the one on which the Management has based its views. The information regarding market conditions is based on the Management's estimates. The forward-looking estimates are subject to uncertainty. Investors should read this section in conjunction with the more detailed information contained in the Prospectus, including the financial and other information referred to in Part I, section 4.3 – "Presentation of financial information" – "Presentation of financial information for Codan Denmark and Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018".*

### 7.1 Overview

#### **Codan Forsikring and Codan Denmark**

Following Tryg and Intact's acquisition of RSA, RSA Scandinavia was carved-out from the RSA Group with effect from 1 June 2021. As at the Prospectus Date, the contemplated Demerger which is expected to be concluded by H1 2022 has not yet been executed and hence Codan Denmark is included into the business of Codan Forsikring together with the business of Codan Norway and Trygg-Hansa. For an overview of the legal structure please refer to Part I, section 7.5 – "Business overview of Codan Denmark" – "Legal ". Following the contemplated Demerger Codan Norway and Trygg-Hansa will be transferred to Tryg forsikring A/S, and Codan Denmark will be transferred to Chopin Forsikring, the shares of which will afterwards be transferred to the Company at completion of the Acquisition (expected to be in H1 2022). For further information about the contemplated Demerger, please refer to Part I, section 5.3.5 – "Details of the Acquisition" – "The Acquisition" - "Demerger". Following the Demerger Chopin Forsikring will be the legal entity holding Codan Denmark and the necessary license by the Danish FSA for conducting insurance business as granted by the Danish FSA on 30 September 2021. It is expected that the system of governance, including the policies that Chopin Forsikring will be applying, will be largely identical to the current system of governance and policies as applied by Codan Forsikring in relation to Codan Denmark at the Prospectus Date.

For the purpose of this section information is provided relating to Codan Forsikring being the legal entity holding Codan Denmark at the Prospectus Date, where information is provided on legal-entity level. Where it is possible to refer to the relevant business subject to the Acquisition, reference is made to Codan Denmark, which describes the business as conducted by Codan Forsikring and Privatsikring relating to the Codan DK Business at the Prospectus Date. Hence Codan Denmark does not refer to a separate legal entity but to the business as conducted by Codan Forsikring and Privatsikring relating to the insurance business to be Acquired by the Company. This will include Codan Forsikring's minority interests in SOS International A/S,

Scalepoint Technologies Ltd., Forsikringsakademiet A/S, its wholly owned subsidiary, Privatsikring and the US Branch of Codan Forsikring. The primary activity of the US Branch was to hold US investments bonds and as such there were very few obligations and liabilities in the US Branch. The US Branch has withdrawn its licensensing status in New York effective 19 October 2021.

## **Introduction**

Codan Forsikring provides a broad range of general non-life insurance products as well as personal accident and health insurance to the Danish private and commercial markets through Codan Denmark. This includes the specialised business relating to industries within the commercial customer segment holding leading positions in for example property, renewable energy, transportation, construction, engineering, and marine.

Privatsikring provides insurance services mainly to private individuals but also to commercial customers. Privatsikring's contribution to Codan Forsikring's gross premium income was 15.7% in 2020.

The brand Codan was established in 1916. Codan Forsikring is currently the fourth largest non-life insurance company in Denmark with a market share of 8.5% based on gross premium income in Q3 2020 according to the latest available statistics from the Danish industry organisation Forsikring & Pension.

Since 2008 and until recently, Codan Denmark was 100% owned by RSA, a large global insurance group. On 1 June 2021, RSA was acquired by Tryg and Intact, and the Scandinavian business of RSA was carved-out from the rest of RSA as of 1 June 2021. Following the carve-out of the Scandinavian business of RSA, the contemplated Demerger will be executed (currently expected for H1 2022) for the purpose of delivering the Tryg-Hansa and Codan Norway to Tryg Forsikring A/S and transferring Codan Denmark into Chopin Forsikring, which will be co-owned on a 50/50 economic basis by Tryg and Intact until completion of the Acquisition with Codan Denmark remaining completely separate and independent of Tryg.

Codan Denmark had around 240,000 private customers and 44,000 corporate customers and handled around 164,000 insurance claims in the financial year 2020 compared to 247,000 private customers 49,000 corporate customers and around 197,000 insurance claims in the financial year 2019.

For the financial year ended 31 December 2020, Codan Denmark had:

- Gross premium income of DKK 5,375 million (2019: DKK 5,801 million)
- Combined ratio of 88.9% (2019: 104.3%)
- A profit/loss before tax of DKK 554 million (2019: DKK -156 million)

For the financial period ended 30 September 2021, Codan Denmark had:

- Gross premium income of DKK 4,140 million (30 September 2020: DKK 4,037 million)
- Combined ratio of 85.6% (30 September 2020: 88.3%)

- A profit/loss before tax of DKK 512 million (30 September 2020: DKK 416 million)

Codan Denmark primarily distributes its products through direct channels, including customer service centres, tied agents, brokers and strategic partnership agreements. Strategic partnership agreements include, among others, the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (*Lokale Pengeinstitutter (LOPI)*), Nykredit Realkredit A/S and Spar Nord Bank A/S, the association for elderly Ældre Sagen and the Danish trade union Djøf.

Codan Denmark has two main operating segments:

- Commercial segment (which represented 60% gross premium income in the financial year 2020 and 61% of gross premium income in Q3 2021), and
- Personal segment (which represented 40% of gross premium income in the financial year 2020 and 39% of gross premium income in Q3 2021).

To grow its business, it is Codan Denmark's overall goal to fully utilise the potential in Privatsikring bancassurance together with the partners the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (*Lokale Pengeinstitutter (LOPI)*), Nykredit Realkredit A/S and Spar Nord Bank A/S. In addition, Codan's personal segment is set to grow by a strong focus on partnerships in addition to new distribution through real estate brokers. Codan Denmark's commercial segment is expected to demonstrate profitable growth after a two-year profitability improvement programme.

#### **7.1.1 Commercial segment**

Codan Denmark's products for commercial customers include:

- Property
- Motor
- Workers' compensation
- Construction and engineering
- Casualty
- Professional Indemnity (Profin)
- Marine
- Cargo
- Health

The broker distribution channel generated 52% of Codan Denmark's commercial segment's new business income in the financial year 2020 with the remainder generated from direct channels (32%) and other channels including affinity partners (16%).

For the financial year ended 31 December 2020, the commercial segment amounted to:

- Gross premium income of DKK 3,201 million representing 60% of Codan Denmark's total consolidated gross premium income (2019: DKK 3,553 million representing 61% of total consolidated gross premium income)
- Technical result of DKK 208 million (2019: DKK -512 million)
- Combined ratio of 93.5% (2019: 114.4%)

For the financial period ended 30 September 2021, the commercial segment amounted to:

- Gross premium income of DKK 2,516 million representing 61.0% of Codan Denmark's total consolidated gross premiums income (30 September 2020: DKK 2,403 million representing 60.0% of total consolidated gross premium income)
- Technical result of DKK 259 million (30 September 2020: DKK 237 million)
- Combined ratio of 89.7% (30 September 2020: 90.2%)

The commercial segment of Codan Denmark has grown at a CAGR of -0.75% between 2018 and 2020 based on gross premium income.

#### **7.1.2 Personal segment**

Codan Denmark's products for personal customers mainly include:

- Personal motor
- Home
- Personal accident and health
- Travel insurance

In the financial year 2020, 35% of Codan Denmark's personal segment's new business income was generated through its exclusive bancassurance distribution with the remaining 65% generated through direct channels, including the customer service centres, tied agents and partnership agreements.

For the financial year ended 31 December 2020, the personal segment amounted to:

- Gross premium income of DKK 2,174 million representing 40% of Codan Denmark's total consolidated gross premiums income (2019: DKK 2,248 million representing 39% of total consolidated gross premium income)
- Technical result of DKK 386 million (2019: DKK 261 million)
- Combined ratio of 82.2% (2019: 88.4%)

For the financial period ended 30 September 2021, the personal segment amounted to:

- Gross premium income of DKK 1,624 million representing 39.0% of Codan Denmark's total consolidated gross premiums income (30 September 2020: DKK 1,634 million representing 40.0% of total consolidated gross premiums income)
- Technical result of DKK 335 million (30 September 2020: DKK 235 million)
- Combined ratio of 79.4% (30 September 2020: 85.6%)

The personal segment of Codan Denmark has grown at a CAGR of -2.5% between 2018 and 2020 based on gross premium income.

## **7.2 Strengths of Codan Denmark**

The Management believes that the following key strengths and advantages of Codan Denmark will help the Enlarged Group to achieve its strategic objectives:

### **1) Strong market position in a profitable and growing market**

Codan Forsikring is currently the fourth largest property and casualty insurance company in Denmark with a market share of 8.5% based on gross premium income in Q3 2020 according to the latest available statistics from the Danish industry organisation Forsikring & Pension. The Danish property and casualty market has seen stable profitability in recent years and has grown by a CAGR of approximately 3.1% from 2017 to 2019 (source: The Danish FSA (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/markedsandele-for-skadesforsikring/>)). For further details of the Danish property and casualty market trends, please refer to the section 8 – "Trend information".

### **2) Diversified business between personal and commercial segments**

Codan Denmark is diversified between its personal segment (40%) and commercial segment (60%) based on 2020 gross premium income. According to Forsikring & Pension, Codan Denmark held the third largest market share in the Danish commercial insurance market and the sixth largest market share in the Danish personal insurance market in 2020. Furthermore, Codan Denmark, through Codan Forsikring, is recognized in the industry as one of the largest insurers of renewable energy plants such as offshore wind farms and is ideally positioned to take advantage of continued growth prospects in Denmark and internationally. In addition, according to Forsikring & Pension, Codan Denmark is a leader within commercial property insurance portfolio with a 17.4% market share in Q3 2020 based on gross premium income.

### **3) Strong distribution power through bancassurance platform and partnerships**

Codan Denmark has numerous bank partnerships through Privatsikring which is one of the company's main distribution channels. The bancassurance platform provides Codan Denmark with a significant network of approximately 25% of banking customers in Denmark. Furthermore, partnerships provide point-of-contact across various age groups in Denmark. For example, Codan Denmark has access to a network of over 900,000 elderly members through a partnership with Ældre Sagen and to a cohort of students and employed high earners through a partnership with Djøf.

#### 4) Modern operating platform with best-in-class claims handling

Codan Denmark aims to secure its competitive advantages through a modern policy administration platform, digitalised claims handling and process automation. The policy administration platform replaces core and claims platforms within a unified IT setup powered by TIA. The claims handling tool digitises and streamlines internal processes and provides a single customer service platform for external partners, customers and employees. Furthermore, Codan Denmark has made investments in robotic process automation (RPA) to automate back-office processes and manual customer tasks with outsourcing agreements leveraged where appropriate.

#### 5) Continued operational improvement to drive profitability

Codan Denmark has shown strong improvement in performance in recent years demonstrated by the combined ratio falling from 98.6% in 2018 to 88.9% in 2020. Codan Denmark has several strategic focus areas, including organisational excellence, customer centricity, acting on relevant data insights, preventing for the benefit of customers, and value-added solutions through strong partnerships that are already in progress with improvements coming from actions taken from 2019 to 2020.

#### 6) Underwriting excellence

Underwriting excellence has been a fundamental focus area for Codan and its previous owners over a long period of time. Targeted areas include portfolio management, pricing, case underwriting and underwriting governance where frameworks for each business area have been designed together with action programmes and follow up processes to maintain and build underwriting competitive advantage. The long-term ambition for this advantage is to enable profitable growth, reduce and manage result volatility and deliver improved bottom line results.

### 7.3 Strategy

Codan Denmark's focus is to offer high quality insurance products and in addition advise and offer value adding services to its clients.

Specifically, Codan Denmark's strategy focuses on the following:

- **Stand united as one Codan** covering the ambition to ensure that both internal and external paths toward customers are smooth and with clear mandates, roles and responsibilities. Codan Denmark aims to foster an innovative company culture oriented around common goals.
- **Make it easy to be a customer with Codan Denmark** covering Codan Denmark's ambition to strengthen customers' existing insurance solutions, develop new quality insurance products and have a relationship with all its customers through digital or personal contact.
- **Always act on relevant insights** covering the ambition to expand its database and find new relevant data sources to keep updated on trends, competitors and customers with the view to make decisions based on customer insights.

- **Prevent injury for the greater good of customers and society** covering Codan Denmark's ambition to help customers avoid injuries through utilisation of expert knowledge and an increased focus on proactive prevention counselling and service.
- **Develop value-adding solutions with partners** covering the ambition to generate value with partners by prioritising those partnerships where Codan Denmark has shared ethics, values, and code of conduct. Partner agreements with financial institutions and other organisations also provide Codan Denmark an opportunity to offer customers a wider range of expert knowledge and competencies.

Within the commercial segment during late 2019 and 2020, tactical initiatives were put in place to improve profitability which in 2018 and 2019 was suffering. These activities included actions toward existing specific agreements, specific areas of the portfolio, and prices and terms. These actions have resulted in a significant drop in the premium level in the commercial segment but all with a focus on improving profitability. These actions have been completed and focus is now on execution of the strategy mentioned above and profitably growing the business.

#### 7.4 History

The following shows a summary of Codan Denmark's history:

- In 1916, the Codan A/S brand name is established.
- In the early 1990s, Codan Forsikring merges with Fjerde Sø and Hafnia Forsikring.
- In 1996, the Royal & Sun Alliance (RSA) is formed as a result of a merger between Sun Alliance and Royal Insurance. The global insurance company at this point owns 72% of Codan A/S' share capital.
- In 1999, Codan A/S acquires, amongst others, the Swedish insurance company Trygg-Hansa.
- In 2004, a decision is made to have a joint executive management team for Codan A/S and Trygg-Hansa.
- In 2004, Codan A/S sells its life insurance and pension company to SEB.
- In 2006, Codan A/S acquires White Label Insurance and Duborgh Skadeforsikring in Norway. The acquisition reinforces Codan Denmark's position as the (then) third largest insurer in Scandinavia.
- In 2007, Codan A/S is de-listed from the Copenhagen stock exchange, Nasdaq Copenhagen OMX (now Nasdaq Copenhagen A/S).
- From 1 January 2008, Codan Denmark is owned 100% by RSA Group, a large global insurance group with more than 17 million customers with presence in 140 countries.

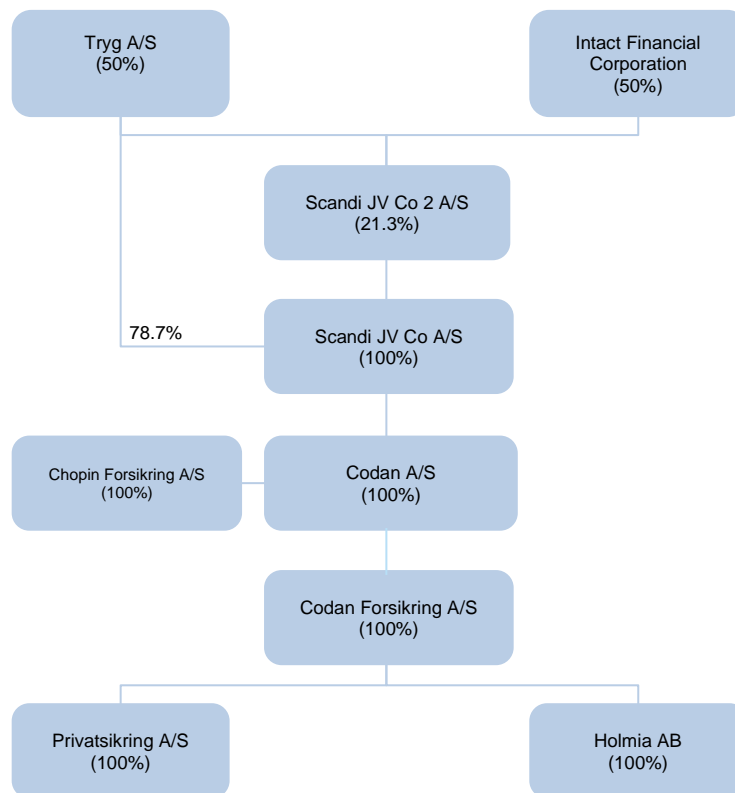
- In 2008, Codan A/S and H.C. Andersens Børnehospital enter into a partnership and establishes Børneulykkesfonden intended to improve child safety and reduce the number of accidents involving children.
- In 2013, the Codan A/S group is awarded "Best CSR strategy in Denmark".
- In 2015, Codan Forsikring and Trygg-Hansa merge with Codan Forsikring as the continuing entity.
- In November 2020, Tryg, Intact and RSA announce that they have reached an agreement on the terms of a recommended cash offer in which Tryg and Intact jointly acquire RSA. It was further announced that, following the transaction, Intact will retain RSA's Canadian, UK and international operations and Tryg will retain RSA's Swedish and Norwegian operations (Trygg-Hansa and Codan Norway). Furthermore, Intact and Tryg announce that they will co-own RSA's Danish business (Codan Denmark) on a 50/50 economic basis with Codan Denmark remaining completely separate and independent of Tryg.
- On 1 June 2021, RSA Scandinavia is carved out of RSA following Tryg's and Intact's acquisition of RSA. At the Prospectus Date, RSA Scandinavia is ultimately co-owned on an 50/50 economic basis by Tryg and Intact with Codan Denmark remaining completely separate and independent of Tryg.
- On 11 June 2021, Tryg, Intact and the Company announce an agreement whereby the Company will acquire Codan Denmark subject to the fulfilment of certain conditions. The Acquisition is expected to complete in H1 2022.

## **7.5 Legal structure**

The following chart provides an overview of legal structure as at the Prospectus Date. Reference is made to Part I, section 7.1 – "Business overview of Codan Denmark" – "Overview " for further details on the legal structure of Codan Denmark.

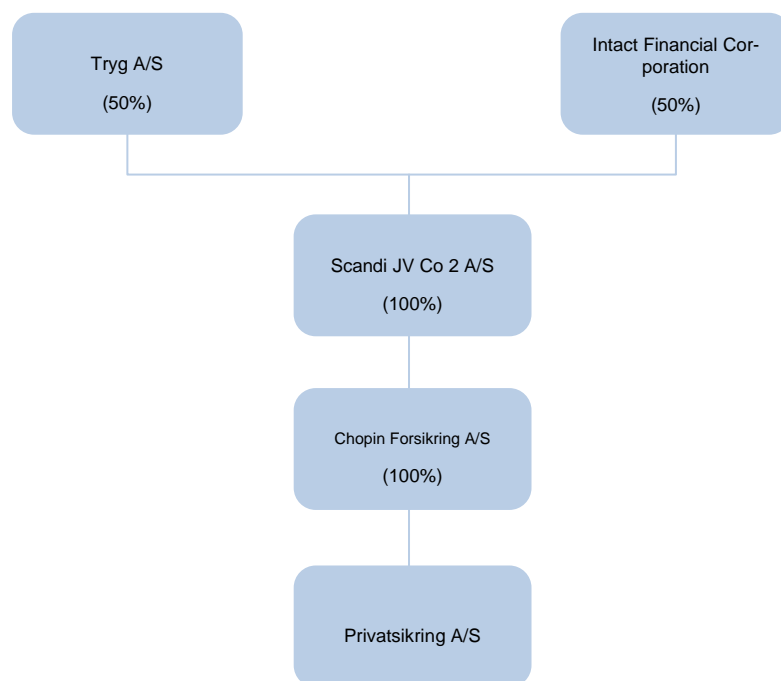


**Figure no. 3 - Simplified group structure of RSA Scandinavia as at the Prospectus Date**



The following chart provides an overview of the legal structure as expected at the time immediately following the contemplated Demerger. Codan Denmark will at this time be incorporated into Chopin Forsikring. At the date of completion of the Acquisition, the Company will acquire the shares of Chopin Forsikring. Reference is made to section 7.1 – "Business overview of Codan Denmark" – "Overview " for further details.

**Figure no. 4 - Expected simplified group structure immediately after the contemplated Demerger**



## 7.6 Corporate social responsibility

Codan Forsikring is committed to being a responsible company by running its business in a way that makes its employees proud to be a part of it while at the same time ensuring financial strength and transparency, putting customers first and delivering long-term value to its environment and society.

Previously, the corporate social responsibility of Codan Forsikring has been aligned within the RSA Group. Following the carve-out of RSA Scandinavia from RSA on 1 June 2021, Codan Forsikring is establishing its own standards while ensuring compliance with regulatory requirements and taking the contemplated Demerger process as well as the Acquisition into consideration.

## 7.7 Operations

Codan Denmark provides general non-life insurance products as well as personal accident and health insurance to personal and commercial customers in the Danish private and commercial general non-life insurance markets. Codan Denmark does not provide life insurance products. Codan Denmark conducts cross-border activities in all EU countries and within certain business areas also business outside of the EU. Codan Denmark's main general non-life insurance products for customers in the personal segment include personal motor insurance, home and contents insurance (incl. travel, pet and yacht), personal accident insurance and travel insurance. Codan Denmark's main non-life general insurance products for customers in the commercial segment include motor (vehicle) insurance, property insurance, construction and engineering

insurance, marine insurance, casualty or liability insurance, surety bonds, Nordic healthcare insurances and energy specialist insurance.

**Table no. 16 - Gross premium income, gross claims ratio, net reinsurance ratio, claims experience, gross expense ratio and combined ratio for Codan Denmark**

	Nine months ended 30 September		Financial year ended 31 December		
	2021 <sup>1)</sup>	2020 <sup>2)</sup>	2020	2019	2018
<b>Overall</b>					
Gross premium income (DKKm)	4,140	4,037	5,375	5,801	6,030
Gross claims ratio (%)	56%	70%	68.9%	80.9%	74.1%
Net reinsurance ratio (%)	8%	-2%	-0.7%	3.7%	5.7%
Claims Experience Ratio (%) (APM)	64%	68%	68.2%	84.6%	79.8%
Gross expense ratio (%)	22%	20%	20.7%	19.7%	18.8%
Combined ratio (%)	86%	88%	88.9%	104.3%	98.6%
<b>Personal segment</b>					
Gross premium income (DKKm)	1,624	1,634	2,174	2,248	2,285
Gross claims ratio (%)	50%	63%	58.8%	65.6%	65.6%
Net reinsurance ratio (%)	1%	0%	0.4%	1.4%	1.6%
Claims Experience Ratio (%) (APM)	51%	63%	59.2%	67.0%	67.2%
Gross expense ratio (%)	28%	23%	23.0%	21.4%	21.1%
Combined ratio (%)	79%	86%	82.2%	88.4%	88.3%
<b>Commercial segment</b>					
Gross premium income (DKKm)	2,516	2,403	3,201	3,553	3,745
Gross claims ratio (%)	60%	75%	75.8%	90.5%	79.3%
Net reinsurance ratio (%)	13%	-3%	-1.4%	5.2%	8.2%
Claims Experience Ratio (%) (APM)	72%	72%	74.4%	95.8%	87.5%
Gross expense ratio (%)	17%	18%	19.1%	18.7%	17.4%
Combined ratio (%)	90%	90%	93.5%	114.4%	104.9%

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Financial Statements

Following RSA Scandinavia's carve out of RSA on 1 June 2021, Codan Forsikring has been operating with a transitional service agreement with RSA. Following the Demerger, Chopin Forsikring, holding Codan Denmark, will also be operating with transitional services agreements with RSA as well as with Tryg. For further information, see Transitional Services Agreements in Part I, section 21.1.2 – "Material " – "Summary of material contracts relating to the Acquisition" – "Transitional Services Agreements".

### 7.7.1 Description of the products

Codan Denmark's principal products include the following general insurance products:

- **Motor, accidental, damage, fire and theft.** Motor insurance provides cover for the personal and commercial segment for statutory third-party liability insurance as well as vehicle damages and repairs. The insurance can include a number of supplementary coverages tailored for the specific client need. Motor, accidental, damage, fire and theft insurance accounted for 14.5% of the total gross premium income in 2020 (2019: 13.6%) and 14.0% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 14.4%).
- **Marine and cargo.** Marine and cargo insurance provides insurance for transportation of goods as well as loss or damage of ships and transport by which the property is transferred. Marine and cargo insurance accounted for 5.6% of the total gross premium income in 2020 (2019: 4.6%) and 4.7% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 5.7%).
- **Fire & content (personal).** Fire & content (personal) provides cover to the personal segment for the loss of, or damage to, the contents of personal dwellings as a result of fire, storms, or water with a range of additional features, such as cover for valuables temporarily away from home, liability arising from ownership or occupancy and cover for damage to electronic equipment. Fire & content (personal) insurance accounted for 17.7% of the total gross premium income in 2020 (2019: 16.7%) and 16.8% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 17.8%).
- **Fire & content (commercial).** Fire & content (commercial) provides cover to the commercial segment for the loss of, or damage to, commercial properties and content as well as business interruption losses. The product is sold both more standardized to the SME segment and more tailored for large clients. Fire & content (commercial) insurance accounted for 30.0% of the total gross premium income in 2020 (2019: 31.9%) and 32.6% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 29.6%).
- **Personal Accident.** Personal accident covers for accidental bodily injury and death resulting from accidents. Compensation takes the form of a lump sum intended to help the customer cope with the financial consequences of an accident thereby making their daily lives easier. The insurance can include a number of supplementary covers. Personal accident insurance accounted for 9.3% of the total gross premium income in 2020 (2019: 8.7%) and 8.7% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 9.2%).
- **Health insurance.** Health insurance provides cover for medical treatment and associated covers. The insurance gives access to private medical facilities and supplementary covers can be included to tailor the insurance for customer demands. Health insurance accounted for 2.3% of the total gross premium income in 2020 (2019: 2.4%) and 2.0% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 2.3%).

- **Workers' compensation.** Workers' compensation covers for employees against bodily injury sustained at work. Workers' compensation insurance is mandatory and covers a company's employees (other than for public sector employees and persons working for sole proprietors) Workers' compensation accounted for 9.3% of the total gross premium income in 2020 (2019: 9.5%) and 10.3% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 9.7%).
- **Motor third-party liability.** Vehicle comprises mandatory third-party liability insurance providing cover for injuries to a third-party or damage to a third-party's property, and a voluntary comprehensive insurance policy that provides cover for damage to the customer's own vehicle from collision, fire or theft. Vehicle insurance accounted for 4.9% of the total gross premium income in 2020 (2019: 5.2%) and 4.3% of the total gross premium income in Q1 – Q3 2021 (Q1 – Q3 2020: 4.9%).

## 7.7.2 Operating segments

### 7.7.2.1 Commercial segment

Codan Denmark offers a broad range of general insurance products while managing to specialise in selected industries in the commercial segment. As of 31 December 2020, Codan Denmark's commercial segment contributed with 60% of Codan Denmark's gross premium income compared to 61% in the financial year 2019. Commercial fire and contents insurance and workers' compensation products provided the most significant contribution to the commercial segment's net premium income as of 31 December 2020.

The commercial segment can be split into two sub-segments: a standard commercial business (with Nordic operations) and a specialty line business (with international operations).

#### *Standard commercial business*

The commercial segment further consists of a standard Nordic-based commercial business, which includes a wide range of products including property, workers' compensation, motor, liability, professional indemnity, cargo and health care. In 2020 the gross premium income for this business was 65% of the total commercial segment.

The commercial property insurance portfolio is Codan Denmark's largest portfolio and Codan Denmark is one of the market leading insurance providers in Denmark in this segment with a 17.4% market share as of Q3 2020 based on available statistics from Forsikring & Pension. The market share has decreased since 2018 because of underwriting initiatives to exit unprofitable commercial property and motor segments.

Products are distributed either through brokers or direct sales. Direct sales are targeting small, mid-size and large businesses as well as affinity partners. Codan Denmark is a significant contributor especially within mid-size and large business and has built strong underwriting capabilities and specialises in claims prevention and advisory.

### *Speciality line business*

The specialty line business consists of a marine business and technical lines, where technical lines consist of construction & engineering (C&E) and renewable energy business. In 2020, the gross premium income for the speciality line was 35% of the total commercial segment.

In both C&E and renewable energy, Codan Denmark operates both in the onshore and offshore segment within wind farms as well as in onshore solar panels and emission friendly powerplants. In the context of renewable energy, Codan Denmark is recognized within the industry for its strong position within wind energy both in terms of the onshore and offshore segment. Codan Denmark continuously tracks market development and is involved in other renewable energy production than wind energy.

Codan Denmark is a long-time significant insurance partner for offshore wind among the major stakeholders in the industry and in a market that is growing globally. Codan Denmark insured the first offshore wind farm ever built and has maintained a significant position in the industry ever since. Codan Denmark is insuring a large portion of European offshore wind and is also targeting selected markets outside of Europe. Codan Denmark's position within offshore wind farms has been obtained through extensive focus on technical skillsets, significant insights into claims and risk advisory and a partnership approach towards project developers, manufacturers and other industry stakeholders.

#### **7.7.2.2 Personal segment**

The personal segment contributed with 40% to Codan Denmark's gross premium income in the financial year 2020 compared to 39% in the financial year 2019. Codan Denmark's personal segment has a two-branded distribution strategy i.e., Codan and Privatsikring. The Codan brand is the main contributor to the overall personal lines portfolio with a share of 61% in 2020. Codan Denmark's personal lines segment focuses on growth with continued focus on profitability and on customer experience. Privatsikring has had unbroken continued growth for the past 20 years (based on gross premium income) through close partnerships with financial institutions such as the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (*Lokale Pengeinstitutter (LOPI)*), Nykredit Realkredit A/S and Spar Nord Bank A/S. The Company believes that Codan Denmark is well-positioned to take advantage of expected market movements, e.g., increased bancassurance and partnership distribution in Denmark.

The personal segment has recorded declines in premium income from 2016 to 2019 except for 2018. This is generally driven by a focus on profitability improvements. In terms of the latest financial years, gross premium income (gross premiums written less change in premium provision and change in profit margin and risk margin) has declined by 3% from DKK 2,248 million in 2019 to DKK 2,174 million in 2020. The decrease is seen across most sub-lines of business with decreases in motor (car dealers), travel and reduction of renewals. For comparison in the commercial segment the adverse development for motor and workers' compensation and property is mainly caused by the implementation of the profitability improvement programme.

In relation to Codan Denmark's main products in the personal segment, motor insurance product premium contributed with 35% (2019: 33%) of the personal segment's gross premium income

as of 31 December 2020, with home and contents and personal accident product sales respectively contributing with 45% and 20% (2019: 48% and 19%) based on gross premium income.

### **7.7.3 Distribution**

Codan Denmark distributes its products through insurance intermediaries, including affinity partners and, for the commercial segment, insurance brokers. The broker distribution channel within Danish commercial segment generated 50% (2019: 41%) of sales in 2020, with 36% (2019: 47%) of the commercial segment sales generated through direct channels and the remaining 14% (2019: 12%) attributable to affinity partners.

In the financial year 2020, 63% (2019: 59%) of the personal segment's sales based on new business (when a sale is confirmed, the risk transferred to Codan Denmark and the gross premium is booked) were generated through direct channels, including customer service centres, tied agents and partnerships. Personal customers are the primary targets of the online sales channel, which is currently a relatively limited distribution channel. The percentage of sales that are completed by customer service centres but are commenced online is growing with "pure" online sales expected to grow over the coming years as Codan Denmark is considering concrete initiatives in this respect. The remaining 37% (2019: 41%) of Codan Denmark's personal segment's sales (based on new business) were generated through its exclusive bancassurance (Privatsikring) distribution channel.

## **7.8 Material agreements**

Save as described elsewhere in this Prospectus, hereunder in Part I, section 21 – "Material ", Codan Forsikring, including subsidiaries related to Codan Denmark, has not during the financial years ended 31 December 2020, 2019, 2018 and during the period from 1 January 2021 to the Prospectus Date, entered into any material contract relating to Codan Denmark other than in the ordinary course of business. See Part I, section 17.2 – "Related party transactions" – "Details of related party transactions of the legal entities of Codan Denmark" for additional information regarding related party transactions entered into during the financial years ended 31 December 2020, 2019, and 2018 and during the period up to the Prospectus Date.

As part of Tryg's and Intact's acquisition of RSA several transaction agreements were entered into affecting Codan Forsikring and Codan Denmark with the Separation Agreement being the most relevant in the context of this Prospectus. Please refer to Part I, section 7.8.1 – "Business overview of Codan Denmark" – "Material agreements " for a short description of the Separation Agreement.

### **7.8.1 Separation Agreement**

The Separation Agreement was entered into 18 November 2020 and contains the provisions for the break-up of RSA which was acquired by Intact.

The Separation Agreement is a framework agreement which contains the principles for the break-up of RSA, including the legal steps expected to be carried out in order to implement the Demerger, with detailed steps of the break-up remaining to be identified and implemented on

the basis of those principles. Some of these detailed steps have already been agreed upon and do not concern Codan Denmark, and some of these steps have been set out in the Demerger Agreement and the Demerger Plan. Please refer to Part I, section 5.3 – "Details of the Acquisition" – "The Acquisition".

The Separation Agreement further sets out a framework for the allocation of the assets, costs and liabilities of Codan Forsikring together with its direct and indirect subsidiaries and associated entities, including the branches of such subsidiaries, between Intact and Tryg, and in particular provides a detailed framework in respect of the allocation of the assets, costs and liabilities of Codan Denmark, Trygg-Hansa and Codan Norway.

Pursuant to the Separation Agreement, Codan Denmark will be co-owned on a 50/50 economic basis by Tryg and Intact with Codan Denmark remaining completely separate and independent of Tryg. Intact has confirmed its intention to support the positive development of Codan Denmark during the period of joint ownership.

The Separation Agreement also specifically identifies a number of steps which are expected to be carried out by the parties for example that as a result of the separation and consequential allocation of assets and liabilities, Intact and Tryg shall use their respective reasonable endeavours to agree on transitional arrangements to achieve business continuity in the ordinary course of business without unnecessary interruption, including transitional arrangements to be provided by RSA. The Separation Agreement sets out the general principles applicable when agreeing upon such transitional arrangements, including provisions for a template form of a transitional services agreement to be consistent with such principles, and which is to form the basis of agreed detailed transitional arrangements (including, among other factors, setting out the costs and specific services required by the respective parties). Please refer to Part I, section 21.1.2 – "Material " – "Summary of material contracts relating to the Acquisition" – "Transitional Services Agreements" for further details on the relevant transitional arrangements.

Further, the Separation Agreement sets out the overall terms for the ongoing governance of Codan Denmark both prior to the Demerger and after the Demerger and until the transfer of Codan Denmark to the Company is completed.

#### **7.8.2 Cooperation agreement with Privatsikring, Nykredit Realkredit A/S and other banks**

On 26 October 2020, Codan Forsikring and Privatsikring, a wholly owned subsidiary of Codan Forsikring, entered into a cooperation agreement on the distribution of Privatsikring insurances. The agreement replaced a previous similar agreement between some of the same parties. According to the agreement, Spar Nord Bank A/S, Nykredit Realkredit A/S and financial institutions, which are members of Lokale Pengeinstitutter (the Association of Local Banks, Saving Banks and Co-operative Saving Banks in Denmark) and have entered individual accession agreements, shall distribute Privatsikring's insurances. For the risks pertaining to the agreement and the cooperation, please refer to "Risk Factors", 2.4 – "The Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are dependent on strategic partnerships and brokers to distribute their products. A loss of business provided by such strategic partners and brokers could have a material adverse effect on the Enlarged Group's cash flows, business, financial condition, results of operations and prospects."



### **7.8.3 Cooperation agreement with DJØF**

On 1 January 2019, Codan Forsikring and DJØF (the Danish trade union representing members who study or work within the areas of law, economics, strategy, management, politics, administration, business, research, communication and more) entered into a new cooperation agreement on the distribution of Codan's insurance products in continuation of a long-lasting partnership between Codan Forsikring and DJØF.

According to the agreement, DJØF may, as an insurance broker, distribute insurance products from Codan Forsikring on favourable conditions to the members of DJØF.

## **7.9 Investments**

Currently, the overall investment strategy and policy is set by the boards of directors of Codan Forsikring and Privatsikring. The investment strategy is balanced to achieve a number of goals and to ensure compliance with laws and regulations. Most of Codan Forsikring's investments are in liquid listed bonds that can be liquidated at short notice.

Codan Forsikring's investment portfolio consists primarily of AAA-rated Danish and Swedish government and mortgage bonds for which the credit risk is considered very low. Codan Forsikring also holds a limited number of European corporate bonds with a credit rating of at least BBB. In addition, Codan Forsikring holds a number of private credit investments via limited partnerships or notes as well as a small portfolio of REITs (Real Estate Investment Trust). The credit quality is based on a credit rating hierarchy; firstly Standard & Poors, secondly Moody's and thirdly Fitch Ratings. Under Codan's Market Risk Policy, all credit ratings of "significant exposures" (lower of £50m-equivalent/10% of entity portfolio), are reviewed at least annually.

Codan Forsikring has chosen an outsourcing strategy for managing its investments. External portfolio managers, with Nykredit Asset Management A/S being the main portfolio manager at the Prospectus Date, have been approved by Codan Forsikring's board of directors and their investment authority is subject to the investment policy laid down by the board of directors. The investment policy identifies, limits, manages and monitors risks relating to individual investments, focusing of risks and aggregate market risk. An investment committee monitors compliance with the investment strategy.

The audit committee appointed by the board of directors of Codan Forsikring monitors compliance with the investment strategy.

The table below shows the investment return of Codan Denmark's investments for Q1 – Q3 of 2021 and the financial years 2020, 2019 and 2018.

**Table no. 17 – Investment return of Codan Denmark's investments for Q1 – Q3 of 2020 and 2021 and the financial years 2020, 2019 and 2018**

<b>Investment Return (DKKm)</b>	<b>Financial year 2018</b>		<b>Financial year 2019</b>	
	Investment assets	Return	Investment assets	Return
Bonds	10,701	83	10,576	143
Equity investments	232	-26	264	58
Unit trust	619	21	519	24
Loans to related parties	1,000	26	1,000	17
Other lending	3	14	117	18
Derivative financial instruments	2	42	10	26
<b>Total return on investments</b>	<b>12,557</b>	<b>160</b>	<b>12,486</b>	<b>286</b>
Other value adjustments		-8		32
Investment management expenses		-29		-26
Return on insurance provisions		-31		-197
<b>Investment return</b>		<b>92</b>		<b>95</b>

<b>Investment Return (DKKm)</b>	<b>Financial year 2020</b>	
	Investment assets	Return
Bonds	10,084	33
Equity investments	267	-47
Unit trust	616	22
Loans to related parties	500	23
Other lending	304	0
Derivative financial instruments	1	-15
<b>Total return on investments</b>	<b>11,772</b>	<b>16</b>
Other value adjustments		97
Investment management expenses		-30
Return on insurance provisions		-120
<b>Investment return</b>		<b>-37</b>

**Investment Return**  
**(DKKkm)**

	Q1-Q3 2021 <sup>2)</sup>		Q1-Q3 2020 <sup>1)</sup>	
	Investment assets	Return	Investment assets	Return
Bonds	9,878	-195	9,817	-10
Equity investments	283	33	185	-80
Unit trust	589	18	626	15
Loans to related parties	0	11	1,000	16
Other lending	376	9	115	0
Derivative financial instruments	2	2	49	-1
<b>Total return on investments</b>	<b>11,128</b>	<b>-122</b>	<b>11,792</b>	<b>-60</b>
Interest income, cash at bank and in hand		23		5
Interest expenses		-45		-6
Other value adjustments		-14		124
Investment management expenses		-22		-22
Return on insurance provisions		182		-97
<b>Investment return</b>		<b>2</b>		<b>-56</b>

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Financial Statements

Further to the financial investments, no significant M&A activities have been carried out in the period.

A number of IT related investments have been finalized in the period, amongst others the investment in an automated claims portal, as well as a finalization of a core platform replacement. Customer migrations to the new platform is still ongoing in 2021, however not driving any further investment costs.

The implementation of new partnerships drives investments in IT, however none that are considered significant.

## 7.10 Underwriting and pricing

Codan Forsikring manages underwriting and pricing risks through its underwriting strategy, re-insurance arrangements and claims handling. The underwriting strategy aims to ensure that risks are fully understood and priced at the appropriate profit level. In addition, Codan Forsikring seeks diversification of underwriting risks in terms of type, industry and geography, and appropriate reinsurance purchases, in order to manage earnings volatility. Codan Forsikring's risk appetite statement, as further described below, sets out its high-level appetite for insurance risk whilst it has central management forums which examines underwriting and claims issues, reviews and agrees underwriting direction and sets policy, frameworks and directives where appropriate. The underwriting and claims policies define the controls implemented to manage Codan Forsikring's limited appetite for: (i) 'Special High Risks' including long-term policies and lines of business where Codan Forsikring lacks appropriate specialist expertise and reinsurance support; and (ii) writing business in 'High Risk Countries' designated due to sanctions or presenting an unacceptable level of operational risk.

Pricing of Codan Denmark's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain Codan Denmark's principal cost, Codan Denmark also makes allowance in its pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital Codan Denmark exposes to risk. The focus of the underwriting function is to ensure that premiums charged are sufficient to cover the cost of claims and expenses and provide a suitable margin for delivering a sustainable return for shareholders. A majority of the customers are offered a premium which is set according to tariffs and risk factors calculated by pricing actuaries. For major commercial customers, premiums are based on factors including the respective companies' operations and performance history. The authority exercised by the respective underwriters is controlled by a personal underwriting licence based on the underwriter's capabilities.

Codan Forsikring's underwriters have licences that set parameters for the business they can underwrite, based on the experience of the individual underwriter. Additionally, Codan Forsikring has a centrally managed forum looking at Codan Forsikring's underwriting issues, reviewing and agreeing underwriting direction and setting policies and directives where appropriate. Codan Forsikring has a quarterly portfolio management process across all its business units, which provides a consistent assessment of portfolio performance against a set of key performance indicators. Under the portfolio management system, key risk indicators are tracked to monitor emerging trends, opportunities and risks and, on an annual basis, a review forum of business and underwriting leaders undertake a detailed review of each portfolio utilising data from the quarterly reviews.

Codan Forsikring has a dedicated pricing team to ensure that tariffs remain updated. The pricing and portfolio management teams interact and challenge each other to ensure a clear link between portfolio strategy and pricing actions following a structured pricing process. The ability to alter the terms of a contract is controlled via the delegated authority framework. The absolute majority of policies have a built-in right for Codan Forsikring to decline a renewal of individual policies, and/or to amend the terms and conditions of individual policies in connection with agreement or policy renewals and to impose deductibles and to reject the payment of a fraudulent claim. Exceptions are handled through executive licence extensions or special high-risk licences. Codan Forsikring reviews insurance risks on a regular basis and assesses these in relation to its underwriting, reinsurance and capital policies. Codan Forsikring ensures all its policies are compliant with minimum statutory requirements.

### **7.11 Reinsurance**

Risk limitation is among other things conducted through reinsurance. The insurance business is by nature exposed to major fluctuations. By ceding business to reinsurers, the consequences of very large claims can be limited, the size of exposures can thus be managed and Codan Denmark's equity protected. The costs per claim event, the net retention and the upper limit to which the reinsurance protection covers costs per claim event vary from product to product. The amount of net retention is decided by the board of directors in Codan Forsikring and Privatsikring and the level is reviewed annually by the board of directors in each entity to ensure that it is acceptable.

### 7.11.1 Reinsurance programme in 2021 and considerations going forward

Codan Denmark's 2021 "per risk reinsurance programme" is primarily an excess of loss programme with a maximum retention of DKK 100 million for any one risk, in respect of buildings, contents and business interruption insurance. The retention for personal accident claims is DKK 100 million, DKK 25 million for liability and DKK 30 million for motor third party liability claims. In respect of the renewable offshore energy sector the retention is USD 25 million for loss events below USD 50 million and USD 15 million for events above USD 50 million.

In respect of Codan Denmark's marine business, Codan Denmark has a 100% quota share for claims related to insurance contracts written in 2021. The quota share treaty is placed with RSA Insurance Ltd and is placed on market terms where Codan Denmark receives commission. In 2022 the quota share treaty will change to an excess of loss programme and expectedly be placed elsewhere.

Codan Denmark has purchased reinsurance programmes protecting against catastrophic events on an event basis. In respect of natural disaster, reinsurance cover for a once-in-200-years event is purchased on a combined RSA Group basis. The retention for Codan Denmark is GBP 25 million (CAD 75 million for claims occurring in North America, Central America and the Caribbean). The same reinsurance programme will cover property claims where more than one risk is involved in a non-natural perils-loss event.

For personal accident and life catastrophe events of a sudden nature, like a ferry accident or a tsunami, Codan Denmark has a shared reinsurance contract with the rest of the Codan Forsikring including subsidiaries and branches. In 2021, the maximum net retention for Codan Denmark is DKK 100 million per event.

All reinsurance contracts have been purchased either as part of a RSA Group purchase or on a Scandinavian basis, thereby reducing costs.

Given the changes in company structure following Tryg's and Intact's acquisition of RSA and the carve-out of the Scandinavian business as well as the contemplated Demerger, the 2022 reinsurance programme will change in order to fit the new company structure. Consequently, Codan Forsikring's reinsurance programme will be separated from RSA. It is likely that these changes will include:

- All treaties including the catastrophe programme will be placed on a Scandinavian basis covering Codan Forsikring including branches and subsidiaries including but not limited to Trygg-Hansa and Codan Norway but will be designed to be split at the Demerger between Codan Denmark, Codan Norway and Trygg-Hansa
- The treaties including the catastrophe programme will be adjusted to the new company structure with a general revision in the net retention vs. 2021 to manage the volatility
- Creation of a "Green Tower" covering all renewable energy and marine business

## 7.12 Risk management

### 7.12.1 Overview

Codan Forsikring's risk management system is defined in a wide-ranging suite of risk management policies, supported by detailed procedures, measuring, reporting and monitoring techniques, and a series of stress tests and scenario analysis. A task central to the risk management function is overseeing adherence to these policies and procedures.

Codan Forsikring's management is closely involved in risk management and monitors the status of all risks in accordance with the "Three Lines of Defence-model". The operative activities make up the first line of defence through which relevant risk information is discussed and addressed by the relevant management teams and risk committees with the view of mitigating the risks appropriately, including by effectuating the controls set out in policies. Risk and compliance units make up the second line of defence providing an independent view as to whether the business is assessing and responding to risks appropriately in accordance with applicable internal and regulatory rules. The third line of defence, the internal audit unit, performs independent risk management assessments on a regular basis in accordance with the agreed internal audit year plan and verifies that controls are appropriate for their purpose. The internal audit reports to the board of directors of Codan Forsikring on a quarterly basis.

### 7.12.2 Risk management principles

Codan Forsikring's management is responsible for setting the business strategy which is used to inform the risk strategy statement. The risk strategy statement, which is prepared by the Risk function in collaboration with the business and approved by the board of directors of Codan Forsikring on an annual basis, describes Codan Forsikring's overall strategy and objectives for managing risks based on the following key principles:

- |  |   |
|--|---|
| Simple objectives                        | <ul style="list-style-type: none"><li>• Create value for all stakeholders</li><li>• Focus on general insurance in Codan Forsikring's selected markets</li><li>• Commitment to sustainable, profitable performance</li></ul>       |
| Clear risk appetite                      | <ul style="list-style-type: none"><li>• Underwriting and operating excellence</li><li>• Strong control environment</li><li>• Tight financial management</li><li>• Protecting and managing Codan Forsikring's reputation</li></ul> |
| Robust governance, control and reporting | <ul style="list-style-type: none"><li>• Comprehensive policies, procedures and controls</li><li>• Clear delegation of authorities</li></ul>   |

- Robust lines of defense
  - Regular and relevant reporting and assurance processes
- Strong culture
- The board of directors sets the 'tone from the top' of open communication and engagement
  - Putting the customer at the center of what Codan Forsikring does
  - High quality and engaged staff

### **7.12.3 Risk appetite**

The risk appetite of Codan Forsikring, including Codan Denmark, is set by the board of directors and reviewed annually. Among other things, it sets business volumes for certain higher risk insurance classes, stipulates loss retention limits and investment limits, reinsurance protection, targets for credit rating and solvency margins. These are expressed through associated key risk indicators with associated risk limits and risk tolerances.

### **7.12.4 Risk framework and management cycle**

Risks are identified through a range of activities, including but not limited to stakeholder scenario workshops, risk mapping and analysis of risk incidents. Identified risks, including emerging risks, are recorded in the business function's risk profile matrix which records the likelihood of occurrence, the expected residual loss impact, and whether the residual risk is within risk appetite or if not, and whether there is an appropriate action plan. These identified risks are then measured and included in Codan Forsikring's updated risk profile. Significant risks are periodically reviewed for potential inclusion in the internal capital model, which is the primary tool for measuring risk. All residual risks are assessed and monitored to determine if the risk is within Codan Forsikring's risk appetite and to develop relevant action plans to mitigate risks which fall outside the risk appetite. Codan Forsikring's management uses the risk management cycle to describe the process used to set, identify, measure, manage, monitor and report on risks impacting the business, including Codan Denmark. The output of the risk management cycles is used by Codan Forsikring's ORSA Committee and the board of directors as an integral part of setting the risk appetite, adjusting investment exposure and hedges, creating insurance portfolio risk profile and reinsurance strategy, prioritising operational risks and actions, and other key strategic decisions such as disposals.

Codan Forsikring employs a comprehensive risk management system, however, there can be no guarantee that risks will be managed effectively and/or mitigated in all cases and, notwithstanding these risk management systems, errors or misconduct by employees or agents may lead to losses.

### 7.12.5 Distribution of quantifiable risks

Codan Forsikring's approved internal model provides a quantification of the total amount of risk borne by Codan Forsikring in the calculation of the SCR, expressed as the Value-at-Risk of the basic own funds subject to a confidence level of 99.5% over a one-year period. Codan Forsikring seeks to assess the extent to which the overall level of risk is attributable to broad categories of risk by analysing the cash flows in its model.

Consistent with Codan Forsikring's strategy and appetite relating to Codan Denmark, the majority of its risks relate to insurance, comprising higher than anticipated underwriting losses, net catastrophe losses and reserve deterioration. Investment risk forms a smaller proportion of Codan Denmark's overall risk.

### 7.13 Reserves

Codan Forsikring establishes claims provisions relating to Codan Denmark to account for the anticipated ultimate costs of all claims and related loss adjustment expenses on claims that have already occurred. Codan Forsikring establishes reserves for reported claims and loss adjustment expenses, as well as for incurred but not yet reported claims and unallocated loss adjustment expenses. Claims provisions estimates are based on known facts and on interpretation of circumstances, including Codan Forsikring's experience with similar cases and historical claims payment trends relating to Codan Denmark. Codan Forsikring also considers the development of claims payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Codan Forsikring's reserve committee, which is chaired by the CFO, serves in an advisory role, reports to the CEO, and meets at least once every quarter to review the reserve methodology and the development of reserves for Codan Forsikring including Codan Denmark. The reserve committee considers the following information:

- an actuarial indication of ultimate losses together with an assessment of risks and possible favorable or adverse developments that may not have been fully reflected in calculating these indications. These risks and developments principally include:
  - the possibility of future legislative change having retrospective effect on open claims;
  - changes in claims settlement procedures potentially leading to future claims payment patterns differing from historical experience;
  - the possibility of new or emerging types of claims, such as disease or industrial claims, emerging from business written several years ago;
  - general uncertainty in the claims environment;
  - the outcome of litigation on claims received;
  - failure to recover reinsurance and unanticipated changes in claims inflation;



- the views of internal peer reviewers of the reserves and of other parties including actuaries, legal counsel, risk directors, underwriters and claims managers; and
- how previous actuarial indications have developed.

However, material reserving risks may not be mitigated by the internal reserving strategy. Such risks include: the risk that case reserves are insufficient, untimely or inaccurate leading to unforeseen adverse development, the risk that more claims are reported in future than anticipated and the risk that legislative changes will have a retrospective effect on claim settlements.

#### **7.14 Claims management**

Codan Forsikring handles claims management policies at a central level. Codan Denmark claims handlers include many specialists such as engineers, surveyors and mariners. Codan Denmark aims to settle claims for its customers and claimants quickly and fairly using numerous initiatives to improve the claims experience.

#### **7.15 Competition**

Major competitors for Codan Forsikring in relation to Codan Denmark include other general insurance companies including but not limited to Tryg, Topdanmark A/S, Alm Brand, Købstædernes Forsikring, Gjensidige Forsikring (Dansk Filial af Gjensidige Forsikring ASA, Norge) and IF Skadeforsikring (Filial af Skadeförsäkring AB (publ), Sverige). However, within certain sub-segments of the commercial segment, such as commercial property insurance, Codan Denmark holds an even stronger market position. Further, within technical lines, major competitors include global insurers such as Swiss Re and Allianz.

#### **7.16 Credit ratings**

Most of Codan Denmark's large agreements contain requirements regarding a specific credit rating. If such rating is not maintained, the contracting party has certain remedies and accordingly it is important for Codan Denmark to maintain a certain rating standing. Please refer to "Risk Factors", 3.4 – "A downgrade or a potential downgrade in the Group's and/or Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's credit or financial strength ratings could affect their standing in the market and may decrease premiums and earnings, which may adversely affect their liquidity or capital position, or the cost of raising capital or cause them to incur additional financing obligations." and Part I, section 6.15 – "Business overview of the Group" – "Credit ratings".

#### **7.17 Legal and regulatory proceedings**

As part of its ordinary course of business, Codan Forsikring is and will from time to time be involved in discussions, disputes and legal proceedings, including claims relating to i.e., commercial counterparties, employees, intellectual property infringement or violations and other business-related disputes related to Codan Denmark, which in some cases may concern substantial amounts.

The results of such disputes and legal proceedings are difficult to predict and Codan Forsikring's assessment of the relevant disputes and proceedings may change as they unfold. Codan Forsikring expenses legal fees as incurred and records a provision for contingent losses when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any material legal matter may result in damages being awarded, injunctions and/or termination of Codan Denmark's products, all of which could have financial implications exceeding any provisions made and therefore have an adverse effect on Codan Denmark's business, operating results, cash flow and financial position.

On 7 July 2021 the Danish FSA reported the Group and Codan Forsikring, together with a number of other Danish insurance companies, to the Danish police for not providing insurance cover for certain treatments related to pregnancy and the Group and Codan Denmark have subsequently, in October 2021, been charged. This may potentially result in fines to the Group and Codan Forsikring, which may impact the financial situation of the Group and Codan Denmark and/or lead to reputational damage which in turn could affect the Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's business, financial condition, results of operations and prospects.

As of the Prospectus Date, Codan Forsikring is not otherwise, and during the previous 12 months has not otherwise been, involved in any material governmental, legal or arbitration proceeding relating to Codan Denmark which may have or have had in the recent past significant effects on Codan Forsikring's financial position or profitability. Further, to the Management's knowledge, no such proceedings relating to Codan Denmark are otherwise threatened as of the Prospectus Date.

However, Codan Forsikring is a party to various legal regulatory inspections arising in the ordinary course of business from the Danish FSA.

#### **7.18 Information technology**

Codan Forsikring operates a number of information and communications systems in order to support its business. These information technology systems are operated and maintained in-house and by third parties according to outsourcing agreements.

With a growing number of new policies being originated online, the information technology infrastructure and systems underpin the business, and Codan Forsikring strives to ensure that its systems and infrastructure are kept up to date. Codan Forsikring makes continuous investments on its key platforms and are progressing their strategic roadmap as well as making continuous improvements through business-as-usual capacity. Codan Forsikring's most important outsourcing suppliers provide IT services, and in particular IT infrastructure and IT development services. Codan Forsikring has over the past few years invested in internal competences and capacity while also partnering with external suppliers.

As an insurance business, Codan Forsikring is subject to the risk management requirements of the Danish Financial Business Act and Solvency II. Risk management including, among others, IT security, is defined in policies and guidelines. Codan Forsikring has established disaster recovery plans which seek to ensure that it can continue to operate its business in the event of an

information technology systems failure. The recovery plan is regularly reviewed and updated by the management of Codan Forsikring.

### **7.19 Data protection**

Data security and GDPR are important issues for Codan Forsikring. Part of being a responsible business includes a continuous education of Codan Forsikring's employees to ensure they are aware of the latest rules and legislations and can handle their tasks accordingly. Therefore, it is mandatory across Codan Forsikring for employees to participate in regular e-learning courses. These courses include modules in data protection, e.g., GDPR training and courses targeted towards the business area in which the individual employee works. The scope is training of all staff and raising awareness of the importance of being compliant.

### **7.20 Intellectual property**

Copyright, trademarks, domain names, consumer databases and other intellectual property rights are important to the success of Codan Forsikring. In particular, Codan Forsikring relies on the Codan brand in Denmark. In addition, Codan Forsikring is materially dependent on certain core brands and has for protection taken out relevant trademark registrations within the EU as well as domain registrations. In accordance with the Separation Agreement Chopin NewCo A/S (now: Chopin Forsikring) will, upon the Demerger, acquire the rights to the intellectual property assets relating to Codan Denmark.

### **7.21 Management**

#### **Codan Forsikring A/S:**

Codan Forsikring has a two-tier governance structure with a board of directors consisting of nine members (three elected as employee representatives), and an executive management consisting of two members.

The nine members of the board of directors and their positions in directorships and executive positions in other entities are stated below.

#### **Board of directors**

#### **Current directorships and executive positions in other entities**

Lars Nørby Johansen, Chairperson	See below under Chopin Forsikring A/S
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Philip Wynford Moore, Deputy Chairperson	See below under Chopin Forsikring A/S
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Marianne Philip	See below under Chopin Forsikring A/S
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Charlotte Claire Jones	See below under Chopin Forsikring A/S
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Kenneth Anderson	See below under Chopin Forsikring A/S
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Kim Hvirgel	See below under Chopin Forsikring A/S
Marie Elisabeth Sandblom *	Board Director of Codan A/S, Codan Forsikring A/S; Förbundsstyrelsen för Forena
Christian Sletten *	Board Director of Codan A/S; Codan Forsikring A/S; Codan Fonden; Codan Koncernens Medarbejderfond; Petra Slettens Fond; The Danish Insurance Union
Christer Arne Bjellert *	Board Director of Codan A/S; Codan Forsikring A/S

\*) Employee representative

The two members of the executive management and their positions in directorships and executive positions in other entities:

<b><u>Executive management</u></b>	<b><u>Current directorships and executive positions in other entities</u></b>
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Vivian Lund, CEO	See below under Chopin Forsikring A/S
Claus Holmvang	See below under Chopin Forsikring A/S

**Chopin Forsikring A/S:**

At the time of the Prospectus, Chopin Forsikring A/S, which is the corporate vehicle that Codan Forsikring's Danish business will be demerged into upon the Demerger, has a management structure comprised of a board of directors consisting of six members and an executive management consisting of two members.

As of the time of the Prospectus, the board of directors and executive management of Chopin Forsikring is the same as that of Codan Forsikring, except that no employee representatives have been appointed for the corporate vehicle Chopin Forsikring and consists of the persons set out below.

The composition of the board of directors and executive management of Chopin Forsikring is subject to change, including potentially upon completion of the Demerger, and upon completion of the Acquisition.

<b><u>Board of directors</u></b>	<b><u>Current directorships and executive positions in other entities</u></b>
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Lars Nørby Johansen, Chairperson	Chairperson of Codan A/S; Codan Forsikring A/S; Chopin Forsikring A/S; Scandi JV Co A/S; Dansk Vækstkapital Komplementar ApS; Dansk Vækstkapital K/S; Københavns Lufthavne A/S; Montana Furniture A/S; Den Selvejende Institution Kunstmuseet Trapholt; William Demant Invest A/S; William Demant Fonden; DMA International ApS; Fonden Oluf Høst Museet
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	Deputy Chairperson of ARP-Hansen Hotel Group A/S
	Board Director of Bornholms Mosteri A/S; Den Erhvervsdrivende Fond Bornholm Mosteri; Danmarks Underholdningsorkester A/S; Kadeau ApS, Fonden til støtte af den selvejende institution Pindstrup Centeret
	Managing Director of Efterår 2019 ApS
Philip Wynford Moore, Deputy Chairperson	Board Director of Codan A/S; Codan Forsikring A/S; Chopin Forsikring A/S; Scandi JV Co A/S; Bank of Ireland (UK) plc; Wesleyan Assurance Society; Skipton Building Society
	Trustee of The Royal British Legion
	Governor of Hart Learning Group/North Hertfordshire College
Marianne Philip	Chairperson of Gerda og Victor B. Strands Fond/Toms Gruppens Fond; Gerda og Victor B. Strand Holding A/S; Investeringsforeningen Nordea Invest; Investeringsforeningen Nordea Invest Kommune; Investeringsforeningen Nordea Invest Engros; Investeringsforeningen Nordea Invest Bøllig; Bestyrelsesforeningens Center for Cyberkompetencer A/S; Copenhagen Capcity, Fonden til markedsføring og erhvervsfremme i region Hovedstaden; Ingrid Zachariae's Fond; Ferdinand Andersens Familielegat; Axcel Fonden
	Deputy Chairperson of Fåmandsforeningen Nordea Invest Valg; Bitten og Mads Clausens Fond; Norli Pension Livsforsikring A/S; Novo Nordisk Fonden; LIFE Fonden; LIFE A/S; BioInnovation Institute Fonden; Danmarks Genopretningsfond A/S; BII Holding A/S; Nordea Funds Oy
	Board Director of Codan A/S; Codan Forsikring A/S; Chopin Forsikring A/S; Axcelfuture, Brenntag Nordic A/S; Aktieselskabet af 1. Januar 1987; Brenntag Nordic AB; Scandi JV Co A/S; Kirsten og Peter Bangs Fond
Charlotte Claire Jones	Board Director of Codan A/S; Codan Forsikring A/S; Chopin Forsikring A/S; Regent Bidco Limited; Regent Subco Limited; Royal & Sun Alliance Insurance Limited; Royal Insurance Holdings Limited; Royal International Insurance Holdings Limited; Royal & Sun Alliance Reinsurance Limited; RSA Insurance Group Limited; The Marine Insurance Company Limited
Kim Hvirgel	Chairperson of Sensora ApS; Sensora International ApS
	Board Director of Codan A/S; Codan Forsikring A/S; Chopin Forsikring A/S; Scandi JV Co A/S
Kenneth Anderson	Board Director of Codan A/S; Codan Forsikring A/S; Chopin Forsikring A/S; Scandi JV Co A/S

The two current members of the executive management of Chopin Forsikring and their positions in directorships and executive positions in other entities:

<b><u>Executive management</u></b>	<b><u>Current directorships and executive positions in other entities</u></b>
Vivian Lund, CEO	Chairperson of Forsikringsselskabet Privatsikring A/S  Board Director of Forsikringsorganisationernes Fællessekretariat F.M.B.A; Finanssektorens Arbejdsgiverforening; Forsikring & Pension, Codan Fonden; Codan Koncernens Medarbejderfond  CEO of Codan A/S; Codan Forsikring A/S; Scandi JV Co A/S
Claus Holmvang	Managing Director and CFO of Codan A/S; Codan Forsikring A/S; Scandi JV Co A/S

## 7.22 Employees

As of 30 September 2021, Codan Forsikring had approximately 1,055 full-time employees of which 878 were directly attributable to Codan Denmark, (30 September 2020 (approximately): 1,003 full-time employees of which 797 were directly attributable to Codan Denmark, and 30 September 2019 (approximately): 1,013 full-time employees of which 793 were directly attributable to Codan Denmark). At the time of this Prospectus, it is not possible to predict precisely how many additional employees will be transferred with Codan Denmark to Chopin Forsikring (and, hence, the Enlarged Group) as part of the Demerger but is roughly estimated to be approximately 45-50 full-time employees.

The cornerstone of Codan Forsikring's performance and success is the ability to attract, retain and develop the best people. High performing and engaged colleagues are deemed as the most important asset.

Codan Forsikring has drawn a people plan to ensure a healthy working environment for its employees. In 2020, COVID-19 put extra demands on Codan Forsikring as an organisation in terms of remote leadership and in terms of keeping the employees engaged and in a good health, both physically and mentally. Therefore, Codan Forsikring's people plan for 2020 had extra focus on engagement, divided into seven different engagement drivers being wellbeing, development, pride, leadership, direction, recognition and teamwork and cooperation.

Further, Codan Forsikring continues to focus on inclusion and diversity. Diversity in Codan Forsikring stretches beyond gender and covers other aspects, such as ethnicity, nationality, disability etc. The vision is defined as: "A culture where everybody can be themselves and develop to their full potential to be their best for our customers everyday".

Focus within Codan Forsikring has been to develop and start the implementation of a new behaviour-based strategy with strong focus on training and communication. The strategy has a strong focus on behaviour from leaders and employees, including how employees work together and include different views and opinions. The most important work during the financial year

2020 was leadership development to make leaders more skilled in pursuing objective leadership based on facts with a focus on behaviour.

### **7.23 Material properties**

Codan Forsikring does not own material property. Codan Forsikring leases two material properties related to Codan Denmark used by the company which are not regarded as investment properties. One of the material properties is Codanhus located in Copenhagen with a rented area of 16,574 square meters operating as Codan Denmark's headquarter. The other property is located in Aarhus with a rented area of 3,045 square meters.

## 8. TREND INFORMATION

The following summary describes the general insurance market in Denmark.

### 8.1 Non-life insurance in Denmark

#### 8.1.1 Development in the Danish non-life insurance industry

The Danish non-life insurance industry is less consolidated than other Scandinavian geographic markets. Market participants focus on efficiency, customer service and disciplined underwriting, contributing to low expense ratios and high profitability.

Danish personal insurance and commercial insurance are both multi-policy markets where customers usually hold more than one policy with the same insurance company. As a result, market participants tend to offer a broad range of products coupled with bundling and discount strategies.

Online sales in the insurance industry are relatively uncommon in Denmark but is growing and the Management expects it to grow further in the coming years. A few online challengers have emerged in recent years but not yet gained significant market share.

COVID-19 imposed restrictions have resulted in lower car usage and lower new car registrations, which has had a negative impact on new sales, however lower claims for car accidents and similar has substantially offset this impact.

#### Premiums

The size of the Danish non-life insurance market was approximately DKK 61 billion in 2020 and has grown by a compound annual growth rate of approximately 4.3% since 2017 (source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/markedsandele-for-skadesforsikring>)). Growth is mainly driven by pricing increases and some organic market growth.

**Table no. 18 – Annual growth in gross premium income**

	Annual Growth in gross premium income <sup>1)2)</sup>				
	(CAGR)	2020	2019	2018	2017
	(%)	(%)	(%)	(%)	(%)
Denmark	4.3	6.9	1.6	4.6	2.7

<sup>1)</sup> Compound Annual Growth Rate ("CAGR") over 2020-2017

<sup>2)</sup> Percentage increase over prior year based on DKK

Source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/markedsandele-for-skadesforsikring>).



## Claims

Overall claims ratio in Denmark has remained largely stable as a result of disciplined underwriting and professional management. In 2020, the overall claims ratio in Denmark was approximately 68.6%.

**Table no. 19 – Claims ratio**

	Claims ratio					
	2020	2019	2018	2017	2016	2015
	(%)	(%)	(%)	(%)	(%)	(%)
Denmark	68.6	70.0	69.9	69.4	69.0	71.6

Source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/erstatningsprocenter-fordelt-paa-forsikringsomraader/>)

## Expense ratio

The Danish non-life insurance industry has seen an improvement in the expense ratio in recent years as a result of major market participants improving efficiency through automation, improved procurement and leveraging scale benefits. The overall expense ratio in Denmark declined from 17.9% in 2015 to 16.5% in 2020.

**Table no. 20 – Expense ratio**

	Expense ratio					
	2020	2019	2018	2017	2016	2015
	(%)	(%)	(%)	(%)	(%)	(%)
Denmark	16.5	16.7	16.4	17.0	18.0	17.9

Source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik>)

### 8.1.2 Non-life insurance products and distribution

The main product lines in Danish non-life insurance include property and homeowner insurance, personal accident and health as well as motor. Other main products in the commercial customer segment in Denmark are workers' compensation and liability.

**Table no. 21 – Non-life insurance product premiums**

<b>Line of business</b>	<b>Premiums (DKK billions in 2020)</b>	<b>Premiums (% of total in 2020)</b>
Fire (commercial)	9.3	15.2
Fire (private)	12.1	19.7
Health & accident	13.5	22.0
Motor vehicles	14.6	23.8
General liability	2.0	3.3
Marine, aviation and transport	0.6	1.0
Workers' compensation	3.6	5.8
Other	5.8	9.2
<b>Total</b>	<b>61.5</b>	<b>100</b>

Source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik>)

### 8.1.3 Competitive landscape

The Scandinavian market for general insurance is generally fairly consolidated. However, within the Nordics, Denmark is the least consolidated general insurance market. As of 31 December 2019, the top four insurers in Denmark, Norway and Sweden had approximately 58.5%, 74.1% and 78.7%, respectively, of the general insurance market based on gross premium income (source: The Danish Financial Supervisory Authority, Forsikring & Pension, Finans Norge, and the Swedish Financial Supervisory Authority).

**Table no. 22 – Competitive landscape**

<b>Market share (%)</b>	<b>Q3 2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Tryg Forsikring A/S	22.5	22.9	17.6	17.8
Topdanmark A/S	15.7	16.3	16.1	16.6
Alm. Brand A/S	8.9	9.3	9.3	9.5
Codan Forsikring <sup>1)</sup>	8.5	9.9	10.4	10.5
Others	44.4	41.6	46.5	45.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1)</sup> RSA trades in Denmark as Codan Forsikring.

Source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik/markedsandele-for-skadesforsikring>)

The Company believes that the principal basis for competition in the direct general insurance business in the Danish market includes brand recognition of the issuing company, the utilisation of various distribution channels, the quality of customer service before and after sales of insurance products (including claims handling), product flexibility and innovative product design and efficiency. In addition, several insurers operate under a (quasi-)mutual model and/or give bonuses/rebates back to their customers on an annual basis.

#### 8.1.4 Non-life insurance market trends

##### Market overview

It is the Company's view that the Danish general insurance market remains relatively stable in terms of top-line growth and product offerings, and the overall growth in gross premium income in Denmark in recent years is to a large extent a result of rate increases as well as organic volume growth.

Denmark, as well as the rest of Scandinavia, is characterised by a high level of general insurance penetration. General insurance premiums per capita for each of the Scandinavian countries are within the top 20 countries globally.

High retention rates help insurers keep their overall expenses low and hence, high retention is a key profitability driver. Renewals by existing customers are associated with lower cost of sales and claims ratios than policies for new customers, and therefore products are quite frequently sold in bundles with various exposures being covered in one package.

Large domestic and Nordic companies have increasingly focused their business on general insurance by divesting life insurance and other non-insurance businesses. The focus on general insurance operation has led to high profitability and return on capital.

The Danish market is generally characterised by a few large domestic or Scandinavian regional companies having significant market shares as a result of a number of significant mergers and acquisitions in the market. The large market shares and cost efficient operations result in difficulty for new players to enter the market and for existing small-medium players to grow market shares.

Companies have become increasingly focused on cost efficiency. One main driver of cost efficiencies is the high retention ratios. In addition, high levels of customer service and the market standard automatic renewal across the region reduces the overall cost. In addition, many market participants in the Danish general insurance industry have in recent years focused on improving back-office functions and other cost efficiencies, including streamlining claims handling.

Generally, Scandinavian insurance companies and operators are technologically advanced, and the region benefits additionally from relatively low levels of fraud.

Claims excellence is used to bring the claims cost down through a number of different measures. Large companies aim to reduce claims cost by leveraging their procurement power, including by negotiating better supplier contracts and consolidating their supplier networks. Companies focus increasingly on improving claims processes through automation and reducing the occurrence of fraud by improving fraud detection capabilities.

Product distribution, including direct distribution, in the Danish general insurance market continues to be primarily through direct channels such as a company's own sales force, customer service centres, franchises and banks. Bancassurance and online distribution channels have

become increasingly important. Compared to mature insurance markets, online sales in Scandinavia, especially in Denmark, are relatively uncommon. However, online sales are naturally growing and expected to grow further in the coming years.

Increased focus on strategic mergers and acquisitions are experienced in the insurance market, especially among the largest players in the market in order to acquire incremental capabilities and mitigate low organic growth. The Company expects more strategic mergers and acquisitions and other partnership agreements to be seen in the future.

### **Market conditions and outlook**

The non-life insurance market has been impacted by COVID-19 during the last financial year and interim period and it is too soon to draw final conclusions about the impact of the pandemic. COVID-19 Measures such as the substantial aid packages provided to many companies by the Danish Government have provided financial support during the pandemic.

Economic activity levels decreased in Denmark following the COVID-19 outbreak. In relation to the insurance market, non-life insurance activities were affected by COVID-19 and the ensuing periods of partial lockdown of society. Towards the end of Q1 2020 and going into Q2 2020, society saw a lower-than-usual level of activity with fewer claims being reported as a consequence. Over the summer months, the claims experience gradually returned to normal, but increased COVID-19 infection rates and the renewed lockdown of society in late autumn and in the winter months again drove activity levels lower, leading to fewer reported claims. This claims pattern was mainly characteristic of contents, motor and travel insurance lines. COVID-19 also put premium income under pressure as sales to both commercial and private customers were affected by restrictions, for example by preventing insurance agents from holding face-to-face customer meetings.

However, financial markets overall developed favourably in the financial year 2020 and the level of business bankruptcies recorded in Denmark has been lower than in previous years. It is the Company's view that the outlook for the financial market in 2021 points to the economy picking up sharply with the COVID-19 vaccine rollout and the re-opening of the society as experienced in H1 2021.

In addition to the COVID-19 effects, which have been manifested in both a slightly lower claim payment level and a slightly lower sales redemption than forecasted, the first part of 2021 has been characterized by the absence of weather-related claims, which has generally had a positive effect on the Danish insurance industry's results for Q1 2021 and Q2 2021. There have been no significant shifts in the companies' market shares, however there is a continuation of the trend from recent years that some mutual insurance companies are slowly increasing their market shares within the private customer segment for non-life insurance.

It is the Company's view that in the coming years, the competition in the Danish non-life insurance market will to a larger extent be concentrated to the service model where customers' preferences move faster. Furthermore, the Company expects there to be continued focus on customer retention in form of value propositions for customers and new potential reserve opportunities in form of new products.

The Company believes that the Danish insurance companies will continue to invest substantially in digital self-service solutions and in customer data that will provide opportunities to better target customers with relevant value-creating offers at relevant point of times. However, in the medium term, traditional sales and service channels will continue to dominate the Danish market although with a shift towards strategic partnerships such as bank insurance and other forms of partner sales, where sales of insurance are included in ecosystems in combination with other services. Thus, in the coming years, there will be a focus among the Danish insurance companies on optimizing strategic partner agreements with the Danish banks in relation to cross-selling and thereby to increase distribution power and customer loyalty.

## 8.2 Life insurance in Denmark

### 8.2.1 Development in Danish life insurance

The Danish life insurance industry saw increasing gross premiums and contributions in 2020 at approximately DKK 194 billion compared to DKK 182 billion in 2019, an increase of approximately 6%. Approximately 63% of gross premiums and contributions comprised of instalment payments and contributions, while the remaining 37% were lump sum payments and contributions. Approximately 86% of gross premiums and contributions were work related contracts while 8% were non-work related and 5% were group life insurance. When excluding group life insurance, in 2019 the share of unit link insurance of total gross premiums and contributions was approximately 73% while the remaining 27% share was traditional life insurance.

**Table no. 23 – Gross premiums and contributions in the Danish life industry**

<b>Gross premiums and contributions (DKK billions)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Instalment payments and contributions	121.7	120.9	115.3	110.4
Lump sum payments and contributions	72.2	61.6	64.7	59.9
<b>Total</b>	<b>193.9</b>	<b>182.5</b>	<b>180.0</b>	<b>170.3</b>
Non-work-related contracts	16.0	15.2	12.6	13.8
Work related contracts	167.8	157.3	158.0	146.7
Group life insurance	10.1	10.0	9.4	9.8
<b>Total</b>	<b>193.9</b>	<b>182.5</b>	<b>180.0</b>	<b>170.3</b>
Unit link insurance	142.8	126.8	119.2	120.1
Traditional life insurance	40.9	45.7	51.4	40.4
Group life insurance	9.8	10.0	9.4	9.8
<b>Total</b>	<b>193.5</b>	<b>182.5</b>	<b>180.0</b>	<b>170.3</b>

Source: Danish Financial Supervisory Authority and Forsikring & Pension

### 8.2.2 Life insurance products and distribution

The main product lines in Danish life insurance are life insurance, pension savings and pension insurance solutions for private and corporate customers. The majority of the solutions are work related, compulsory pension schemes for the employees.

Generally, insurance brokers are searching both towards private customers and small and medium-sized enterprises (SMEs) in order to increase volume and profitability. Furthermore, competition is increasing from banks that are expanding their product offering to the Danish market through Nærpension Forsikringsformidling A/S and Letpension Forsikrings Formidling A/S by including among others corporate schemes.

The large pension companies digitalise their process towards new customers by creating a digital process for the generation of the individual employee contract within a corporate pension scheme.

For the purpose of retaining existing customer portfolios, existing customers are generally handled by traffic light communication with regards to analysis on, whether they are sufficiently covered.

As part of the companies' focus on cost-savings, the personal distribution set-up on individual customers is gradually disappearing in the chase for lower costs.

### 8.2.3 Competitive landscape

The Danish life insurance market consists of both commercial and non-commercial companies. When including only commercial companies, the market is fairly consolidated with the top three players having approximately 75% market share in total based on gross premiums and contributions.

**Table no. 24 – Market share among commercial companies 2020**

<b>Market share among commercial companies</b>	
<b>2020</b>	<b>(%)</b>
PFA Pension	31.9
Velliv	22.5
Danica Pension	21.1
AP Pension incl. Skandia	14.2
Topdanmark	9.1
Alm. Brand	1.2
<b>Total</b>	<b>100.0</b>

Source: The Danish Financial Supervisory Authority (<https://www.finanstilsynet.dk/>) and Forsikring & Pension (<https://www.forsikringogpension.dk/statistik>)

## **8.2.4 Life insurance market trends**

### **Market overview**

The pension market is divided into two markets; corporate pension schemes and private pension schemes. The corporate pension scheme market has been growing, whilst the private pension scheme market has been decreasing – between 2010 – 20120 the corporate pension scheme market grew by a compound annual growth rate of approximately 2.9% while the private pension scheme market decreased by a compound annual growth rate of approximately 0.5% (source: Forsikring & Pension). The total market is now showing signs of being matured due to the fact that pension schemes are very common in Danish companies.

There has been a general move towards pensions products where the investment risk is born by the policyholder. Save for the Company, all commercial pension providers have stopped for guaranteed (average interest rates) products.

Low interest rates have driven pension providers, and thereby policyholders, towards securities with higher risk in search for an attractive yield. These securities include, among others, equities through unguaranteed products and alternative, illiquid investments, such as real estate and infrastructure.

The competition has intensified and resulted in rentability problems on sickness and health insurance (source: Forsikring & Pension). In addition, the intense competition on pricing has provided a set-up for many pension providers where it is difficult to create an attractive return on equity, and where a lot of companies struggle with deficits on the sickness and health part of their pension schemes.

### **Market conditions and outlook**

The life-insurance market has been impacted by COVID-19 during the last financial year and interim period, primarily the private market and the small and medium-sized enterprises (SMEs) market. Some of the small companies and self-employed individuals have reduced or stopped their payments temporarily. It is yet to be seen, whether there will be a rebound on this market in connection with the return to normality after COVID-19. Alm. Brand Liv og Pension is primarily exposed to the private market and the small and medium-sized enterprises (SMEs) market and is therefore affected by this development.

In relation to pension schemes, financial markets have been rebounding from the lows in March 2020 creating a positive investment return. Expected lower future investment returns will put a pressure on investment costs and together with longevity development, this is expected to provide clients with a higher incentive to put more money into their pension schemes.

## **9. REGULATION**

### **9.1 Regulation of Danish insurance holding companies and insurance companies**

The Company is registered with the Danish FSA as an Insurance Holding Company as a result of its ownership of Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension. As an Insurance Holding Company, the Company is subject to supervision by the Danish FSA and is regulated by the Danish Financial Business Act and the legislation applicable to Insurance Holding Companies.

Alm. Brand Forsikring A/S, Alm. Brand Liv og Pension, Codan Forsikring, Chopin Forsikring and Privatsikring are registered with the Danish FSA as insurance companies.

The Company and its subsidiaries are organised as a group with the Company as the ultimate parent.

As Denmark is a member state of the EU, the Company and its subsidiaries are also subject to relevant EU directives, as transposed into Danish law by way of Danish acts and executive orders, etc., and regulations relating to financial services. The Danish Financial Business Act together with the executive orders issued pursuant thereto are derived extensively from legislation of the EU. Of particular importance to the Group and Codan Denmark is Solvency II and relevant delegated acts thereunder, including the Solvency II Regulation.

### **9.2 The Danish Financial Business Act**

#### **9.2.1 Authorisations**

Under Sections 11 and 14 of the Danish Financial Business Act, Danish insurance companies may only carry out insurance activities if they have been granted an appropriate authorisation by the Danish FSA. Such authorisation will cover a license to perform insurance activities in one or more insurance classes. Under Sections 14 and 18-21 of the Danish Financial Business Act, the Danish FSA shall grant an authorisation, provided that certain detailed requirements are met, including the presentation of a business plan (including a three year budget showing that the company can comply with the applicable rules on capital requirements for insurance companies), but also, inter alia, that the members of the management of the insurance company have sufficient experience, and that there is no reason to assume that owners of qualifying holdings of the insurance company (see further below) will oppose the proper operation of the insurance company.

#### **9.2.2 Acquisition of qualifying holdings in a financial institution**

Under Section 61 of the Danish Financial Business Act, any acquisition of a qualifying holding in a financial institution (directly or indirectly) is subject to prior approval by the Danish FSA. A qualifying holding is a holding that represents 10% or more of the capital or voting rights in a financial institution or allows for the exercise of significant influence over the management of the institution and its business. Furthermore, new approvals are required for holdings that reach or exceed certain thresholds (20%, 33% and 50% of the capital or voting rights, or if the financial institution becomes a subsidiary). Approval of an acquisition or increase of a qualifying holding



will only be granted if such approval is not contrary to ensuring the appropriate operation of the financial institution.

In the event of a reduction of a qualifying holding, any person proposing to dispose of such qualifying holding or to reduce such qualifying holding such that it falls below the relevant threshold is required to notify the Danish FSA thereof in advance.

### **9.2.3 Insurance activity and related activities**

The Danish Financial Business Act distinguishes between life insurance and non-life insurance. Life insurance companies cannot, within the same legal entity, carry out other non-life insurance activities than non-life insurance classes no. 1 (accident insurance) and 2 (health insurance). Life and non-life insurance companies are subject to similar organisational requirements, although the rules governing their particular insurance activity differ to some extent.

Under Section 24(1) of the Danish Financial Business Act, an insurance company may only carry out insurance activities and activities that are ancillary to its insurance activity. However, under Section 24(2) of the Danish Financial Business Act, an insurance company may, through subsidiary undertakings, carry out other financial activities.

Under Section 26 of the Danish Financial Business Act, an insurance company may also carry out other activities in co-operation with others undertakings, provided that 1) the insurance company does not have direct or indirect controlling influence on the other undertaking; 2) the insurance company does not carry out the activities in co-operation with other financial institutions which are affiliated with said insurance company, or, in management co-operation with said insurance company; and 3) the activities are carried out in another legal entity than the insurance company.

Finally, under Section 29 of the Danish Financial Business Act, an insurance company may carry out the following activities: (i) insurance distribution activities for insurance companies and other companies under the supervision of the Danish FSA and (ii) establishment, ownership and operation of real estate and infrastructure covering plants, conveying plants and/or construction plants. Additionally, life insurance companies may carry out certain limited activities.

### **9.2.4 Capital requirements for a group 1 insurance company**

The Danish Financial Business Act together with the executive orders issued pursuant thereto, contains regulation relating to insurance companies' capital, including requirements for solvency and placement of funds and liquidity. However, detailed regulation is also contained in the Solvency II Regulation.

The capital requirements pursuant to Solvency II are transposed into Danish law by way of the Danish Financial Business Act.

According to Section 126c of the Danish Financial Business Act, the own funds of an insurance company shall at the minimum amount to the SCR calculated by the company at all times. The SCR is calculated either using the standard formula or using an internal model authorised by the Danish FSA. An insurance company that uses the standard formula may apply company-

specific parameters when calculating the SCR subject to the authorisation of the Danish FSA. Should the risk profile of the insurance company deviate substantially from the prerequisites on which the standard formula is based, the Danish FSA may require the insurance company to use an authorised internal model to calculate the SCR for the relevant risk modules instead.

Further, under Section 126d of the Danish Financial Business Act, an insurance company's basic own funds shall cover the MCR calculated by the company at all times. The MCR shall consist of the highest amount of either (i) no less than 25% and no more than 45% of the company's SCR calculated in accordance with Section 126c, including any additional capital as decreed by the Danish FSA pursuant to Section 350b of the Danish Financial Business Act or (ii) the lower limits for the MCR outlined in Section 126d(5).

In the event that the actual calculated MCR is equal to less than 25% of the company's SCR, the MCR will be set at 25%. In the event that the actual calculated MCR is greater than 45% of the company's SCR, the MCR will be set at 45%.

The lower limits for the MCR are: 1) EUR 3.7 million for life insurance companies; 2) EUR 2.5 million for non-life insurance companies carrying out activities within insurance classes 1–9 and 16–18; 3) EUR 3.7 million for non-life insurance companies carrying out activities within insurance classes 10–15; 4) EUR 3.6 million for insurance companies carrying out reinsurance activities; and 5) EUR 1.2 million for captive reinsurance companies.

An insurance company shall always be in possession of adequate insurance provisions to cover all insurance liabilities.

An insurance company shall also invest its funds in an appropriate manner, and in a manner which is advantageous to the insured parties, in such a manner that there is proper security that the company can meet its obligations at all times (the "prudent person principle"). The prudent person principle entails that insurance companies shall only invest in assets and instruments whose risks can be properly identified, measured, monitored, managed, controlled and reported. The aim is to ensure the security, quality, liquidity and profitability of the insurance company's investments. The management of an insurance company's assets covering the insurance technical allocations is subject to detailed rules set forth in a regulation adopted under the Danish Financial Business Act and under the Solvency II Regulation.

#### **9.2.5 Other requirements**

The Danish Financial Business Act includes special regulations relating to the merger, bankruptcy, and winding-up of insurance companies. If an insurance company is declared bankrupt, regulations regarding crises management in the Danish Financial Business Act apply. The crises management rules also apply if an insurance company's capital base becomes less than the solvency margin. An insurance company's authorisation may be withdrawn by the Danish FSA for instance if the insurance company wilfully or repeatedly breaches the applicable requirements under the Danish Financial Business Act.

### 9.3 Solvency II

The EU has adopted legislation with a view to harmonising the member states' regulation of the insurance industry, thus creating a single European market in this respect. The current framework is known as "Solvency II" and applies to insurance companies (life and non-life), reinsurance companies and groups. A single passport principle is applicable in the insurance business under the Solvency II. Accordingly, a license from a competent authority in a member state (the "home supervisory authority") is valid throughout the EEA.

Solvency II is a full-scale solvency framework and prudential regime applicable to insurance companies and groups within the EU which is intended to provide for a risk-based capital adequacy regime and to harmonise rules applicable throughout the EU. Solvency II, which came into force in full on 1 January 2016, has been transposed into Danish law through the Danish Financial Business Act together with the executive orders, etc., issued pursuant thereto. Another material part of the EU regulatory framework for insurance companies is the Solvency II Regulation.

Solvency II has been supplemented with Directive 2014/51/EU of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) in 2014. This directive contains provisions for long-term guarantees which have the objective of adjusting Solvency II to cope with "artificial" volatility and a low interest rate environment. The directive was transposed into Danish law by way of the Danish Financial Business Act together with the executive orders issued pursuant thereto. The provisions of the Danish Financial Business Act and relevant executive orders, etc., transposing the directive into Danish law entered into force 1 January 2016.

Solvency II is based on economic principles for measuring assets and liabilities. It considers all balance sheet and operational risks and measures assets, liabilities and risk exposures based on economic principles, and the capital requirements relate directly to these risk exposures. Under Solvency II, insurance companies have to review their internal risk management and control environment, risk governance, test existing processes and implement improvements. See Part I, section 10 – "Operating and financial review of the Group" for a description of such procedures for the Group.

Furthermore, Solvency II implies that the solvency framework reflects the relevant insurance company's and insurance group's specific risk profile. Solvency II contains comprehensive solvency requirements considering the risks associated with supporting the insurance liabilities. The Solvency II regime is a "total balance sheet" type regime where all the insurers' material risks and their interactions are considered. In addition to these quantitative requirements, generally referred to as Pillar 1 of the Solvency II regime, Solvency II also sets requirements for governance, risk management and effective supervision, known as Pillar 2, and disclosure and transparency requirements, known as Pillar 3.

### 9.3.1 Pillar 1

Under Pillar 1, insurers are required to hold own funds equal to or in excess of a SCR. In addition, a MCR will apply.

Solvency II categorises own funds into three tiers with differing qualifications as eligible available regulatory capital. Under Solvency II, own funds use IFRS balance sheet items where these are at fair value and replace other balance sheet items using market consistent valuations. The determination of the technical provisions and the discount rate to be applied has a material impact on the amount of own funds and the volatility of the level of own funds.

The SCR is a risk-based capital requirement which will be determined using either the standard formula (set out in the implementing measures), or, where approved by the relevant supervisory authority, an internal model. If an insurance company does not meet the SCR requirements, it must set up a recovery plan to ensure that the SCR requirements will be met within a period of six months. The insurance company must file this plan with the Danish FSA. The same applies to the MCR, except that such a plan must describe how the MCR requirements will be met within a period of three months.

### 9.3.2 Pillar 2

Solvency II lays down strict requirements that insurance companies (including the company's subsidiaries) have to adhere to, including requirements to:

- have effective governance systems in place, proportionate to their business;
- meet specific requirements regarding risk management, internal controls, data quality controls, internal audit functions, internal actuarial functions and control over outsourcing arrangements;
- meet personal and professional qualification requirements for persons who effectively run the company including members of the Board of Directors, the Executive Management and other persons who perform key functions;
- integrate effective risk management systems, including strategies, processes and reporting procedures, in order to monitor, manage and report risk exposures;
- act in conformity with the so-called prudent person rule when making investment decisions regarding the insurer's funds;
- conduct an ORSA on a regular basis; and
- be effectively supervised by the competent authorities.

### 9.3.3 Pillar 3

Under Pillar 3 of the Solvency II regime, extensive and frequent reporting requirements to supervisory authorities are imposed as well as additional external reporting requirements.

The Group prepares an annual Solvency and Financial Condition Report which is made public on the Group's website, [www.almbrand.dk](http://www.almbrand.dk). The information on the Company's website does not form part of this Prospectus and is not incorporated by reference into this Prospectus, unless specifically stated in Part I, section 19.1 – "Additional information" – "Financial statements".

#### **9.3.4 Insurance groups**

The Solvency II rules also impose group reporting requirements, including reporting on group solvency, supervision of intra-group transactions, risk concentrations and governance on a group level. Furthermore, own funds and SCR are calculated on a group level. The Group is hence subject to regulatory capital requirements stipulated by Solvency II. Several of the Pillar 3 reporting requirements also apply at the level of the Group (including the ORSA report requirement and the annual narratives reports requirements, such as the Solvency and Financial Conditions Report). A group supervision is carried out pursuant to the rules implementing Solvency II.

#### **9.4 Insurance contracts regulation**

The Danish Insurance Contracts Act governs the relationship between the insurance company, the customer and the insured. The Danish Insurance Contracts Act mostly contains provisions that can be derogated from by way of agreement, however several provisions are directory.

The detail of the coverage provided in insurance contracts is largely left to the insurance company's discretion. However, some types of insurance are further regulated in Danish law such as motor vehicle liability insurance and occupational injury insurance. Further, in respect of non-life insurance contracts, the key principle is that no more than the insured's financial loss can be covered.

Under the Danish Insurance Contracts Act, an insurance company (or intermediaries acting on behalf of the insurance company) is under an obligation to provide certain pre-sale information in relation to distance selling before the conclusion of an insurance contract with a consumer. In addition, an insurance company is before the conclusion of an insurance contract with a customer required to comply with the pre-sale information stipulated in the Danish Executive Order no. 330 of 7 April 2016 on Good Business Conduct for Financial Undertakings, as amended. Pursuant to this executive order, insurers must also determine each customer's requirements and needs before the conclusion of an insurance contract.

Insurance companies must supply each policyholder with an insurance certificate (or other written agreement) upon entry into any insurance contract. The insurance certificate must include information on the key terms and conditions of the insurance provided.

As a starting point, insurance contracts can be terminated in accordance with the terms of each insurance contract. An insurance company is also entitled to make changes to the detriment of the policyholder in insurance contracts that are limited in time. However, a non-life insurance company must, as a main rule, at least 30 days before the expiry of the insurance period, give notice of material changes to the detriment of the policyholder in order to ensure that the policyholder can terminate the insurance if the policyholder does not wish to retain the insurance.

## 9.5 Other insurance business regulations

Insurance companies carrying out non-life direct insurance activities are obliged to become members of and pay a contribution to a guarantee fund governed by the Danish Consolidated Act no. 932 of 6 September 2019 on guarantee fund for non-life insurance companies. The fund covers, inter alia, claims for damages following a member's bankruptcy. The Danish Financial Business Act also contains good conduct requirements.

In general, an insurance company is obliged to carry out its business in accordance with good business practice in the field. More detailed requirements on what constitutes good business practice is outlined in the Danish Executive Order no. 330 of 7 April 2016 on Good Business Conduct for Financial Undertakings, as amended.

## 9.6 Anti-money laundering

As an insurer with life insurance activities, the Group and Codan Denmark (due to its marine insurance products distributed in Norway) are subject to rules and regulations concerning anti-money laundering and counter terrorist financing. In particular, the Group and Codan Denmark are subject to the measures implemented in the Danish AML Act.

The Danish AML Act is an implementation of applicable EU anti-money laundering legislation. The EU anti-money laundering regime is set out primarily in three directives: Directive 2015/849/EU of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC ("AMLD4"), Directive 2018/843/EU of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU ("AMLD5") and Directive 2018/1673/EU of 23 October 2018 on combating money laundering by criminal law ("AMLD6").

AMLD4, commonly referred to as the fourth anti-money laundering directive, was adopted by the EU in 2015 and was to be transposed into national legislation by 26 June 2017. AMLD4 repealed and replaced the previously applicable third anti-money laundering directive. AMLD4, which sets out the core EU anti-money laundering and terrorist financing regulation provides, inter alia, an obligation to apply customer due diligence measures when entering into insurance contracts, i.e., to identify and verify the identity of clients (including the identity of beneficiaries before payment of compensation and of beneficial owners of legal ultimate entity customers), monitor transactions and report suspicious transactions. AMLD4 also sets out obligations for companies that are subject to the rules to adopt certain policies and procedures to ensure compliance with the applicable requirements and carry out an assessment of the risk of the company being abused for the purpose of money laundering or terrorist financing. Violations of the Danish AML Act may result in administrative and criminal sanctions.

AMLD5 was adopted by the EU on 30 May 2018 and supplements AMLD4. Key amendments introduced by AMLD5 include, inter alia, enhanced transparency by the setting up of publicly available registers for companies, trusts and other legal arrangements as well as enhanced

powers of Financial Intelligence Units, providing them with access to broad information for the carrying out of their tasks.

AMLD6 was adopted by the EU on 23 October 2018 and also supplements AMLD4. Denmark is not bound by AMLD6 as a result of the Danish opt-out from the EU legislation on Justice and Home Affairs. Therefore, AMLD6 has not been transposed into Danish law.

In addition to the EU anti-money laundering directives, the majority of the political parties in Denmark have, in political agreements of 19 September 2018 and 27 March 2019, agreed to adopt a number of additional measures to strengthen the combat against money laundering and other financial crime. This has resulted in a number of additional Danish requirements being adopted in the Danish AML Act that are not based on AMLD4, AMLD5 or AMLD6.

## **9.7 Data protection**

As an insurer, the Group and Codan Denmark process data about their personal customers who take out insurance with the Group or Codan Denmark, respectively, as well as other persons who are covered by the insurance. When handling claims under insurances, the Group and Codan Denmark may process sensitive data about health, illness and contacts to health care services.

The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the EU, including personal health data collected, used or processed by the Group or Codan Denmark in the course of its insurance activities, is subject to the GDPR, which came into force in full on 25 May 2018.

The GDPR is wide-ranging in scope and imposes numerous requirements on companies, including the Group and its subsidiaries, including requirements relating to, inter alia, the processing of health and other sensitive data, the obtaining of consent from the individuals to whom the personal data relates, the provision of information to individuals regarding data processing activities, the implementation of safeguards to protect the security and confidentiality of personal data, an obligation to notify data protection authorities of data breaches, and the taking certain measures when engaging third-party processors.

The GDPR imposes strict rules on the transfer of personal data to countries outside the EU/EEA, including the U.S., and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to EUR 20 million or 4% of annual global revenues, whichever is higher.

The GDPR also confers a right to the data subjects and consumer associations on behalf of data subjects to lodge complaints with supervisory authorities, which in Denmark is the Danish Data Protection Agency (in Danish: "Datatilsynet"), seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR.

In addition to the GDPR, the Group and Codan Denmark are subject to the confidentiality obligations imposed by the Danish Financial Business Act.

## **9.8 Debt collection**

As a consequence of Alm. Brand PIA A/S' collection of a mortgage deed portfolio and other receivables, Alm. Brand PIA A/S is subject to the Danish Debt Collection Act.

According to the Danish Debt Collection Act, a company must apply for and obtain an authorisation in order to, inter alia, collect debts on behalf of others on a commercial basis. The authorisation is granted by the Danish police and expires after a maximum of five years; however, such authorisation may be renewed. In order for the authorisation to be granted, the members of the board of directors and the executive management must fulfil certain requirements as to their individual fitness and propriety.

The Danish Debt Collection Act and an executive order issued pursuant thereto sets out detailed requirements to ensure that debt collection companies collect debt in accordance with good debt collection practice. To support this, employees involved in or related to these activities must be approved by the Danish police.

## **9.9 The Danish commercial undertakings act**

The Danish Consolidated Act no. 249 of 1 February 2021 on Certain Commercial Undertakings apply to, inter alia, former financial undertakings for which the supervised activity has been separated out in connection with a transformation of the financial undertaking in accordance with the applicable financial regulation. The Association is such former financial undertaking and, accordingly, the abovementioned act applies to the Association.

The Danish Business Authority supervises such converted former financial undertakings' compliance with the said act. As a part hereof, inter alia, changes to the articles of association for such converted former financial undertakings requires the prior approval by the Danish Business Authority. In approving amendments to the articles of association, the Danish Business Authority must ensure that the amendments do not contravene the rights of the participants.

## **9.10 Regulatory permits and registrations**

The Group and Codan Denmark hold the following licences and are registered as follows:

### **9.10.1 The Company**

The Company is registered as an Insurance Holding Company pursuant to Section 5(1)(13) of the Danish Financial Business Act due to its holding of all the shares and voting rights in Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension.

### **9.10.2 Alm. Brand Forsikring A/S**

Alm. Brand Forsikring A/S holds a license as a non-life insurance company pursuant to Section 11 of the Danish Financial Business Act. The license includes permission to conduct non-life insurance activities under all non-life insurance classes, however, classes no. 5 and 11 are limited to drones and model planes up to 25 kilogrammes, and reinsurance. Alm. Brand Forsikring A/S is registered as a provider of insurance services in all EEA countries, but primarily



underwrites risks in Denmark for Danish companies. However, in a quite limited number of cases, movable property (e.g., goods for resale/processing) belonging to Danish clients stored abroad, are insured in Alm. Brand Forsikring A/S. The specific coverage is underwritten in Denmark as an integrated part of the Danish client's commercial property insurance. All foreign risks are specifically registered with Alm. Brand Forsikring A/S and handled by TMF Group on behalf of Alm. Brand Forsikring A/S in order to comply with local legislation with regard to local representation and IPT obligations.

#### **9.10.3 Alm. Brand Liv og Pension**

Alm. Brand Liv og Pension holds a license as a life insurance company pursuant to Section 11 of the Danish Financial Business Act. The license includes permission to conduct life insurance activities under insurance classes I and VI and non-life insurance activities under classes no. 1 (accident insurance) and 2 (health insurance). Furthermore, the company is registered as a provider of insurance services in the Faroe Islands under insurance class I.

On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

#### **9.10.4 Alm. Brand PIA A/S**

Alm. Brand PIA A/S is authorised as a debt collection company pursuant to the Danish Debt Collection Act. The authorisation expires on 17 December 2025 but may be renewed in accordance with the Danish Debt Collection Act.

#### **9.10.5 Codan Forsikring**

Codan Forsikring holds a license as a non-life insurance company pursuant to Section 11 of the Danish Financial Business Act. The license includes permission to conduct non-life insurance activities under all non-life insurance classes. Codan Forsikring is registered as a provider of insurance services in most EEA countries.

#### **9.10.6 Chopin Forsikring**

Chopin Forsikring holds a license as a non-life insurance company pursuant to Section 11 of the Danish Financial Business Act. The license includes permission to conduct non-life insurance activities under all non-life insurance classes. Chopin Forsikring is registered as a provider of insurance services in most EEA countries.

#### **9.10.7 Privatsikring**

Privatsikring holds a license as a non-life insurance company pursuant to Section 11 of the Danish Financial Business Act. The license includes permission to conduct non-life insurance activities under all non-life insurance classes except classes 4, 5, 14 and 15 and class 11 is limited to drones and model planes up to 7 kilogrammes. Privatsikring is registered as a provider

of insurance services in most EEA countries, but primarily underwrites risks in Denmark for Danish customers.

## 10. OPERATING AND FINANCIAL REVIEW OF THE GROUP

*This Operating and Financial Review of the Group should be read in conjunction with the more detailed information contained in this Prospectus, including the financial information and other information referred to in Part I, section 4 – "Presentation of financial information" and Part I, section 19 – "Additional information" which is incorporated by reference into this Prospectus as set out therein. The consolidated financial statements of the Group for Q1 – Q3 2021 as well as the financial years ended 31 December 2020, 2019, and 2018 (collectively referred to herein as the "Periods Under Review") are prepared on the basis of IFRS as adopted by the EU and in accordance with the Danish Executive Order on Adoption of IFRS.*

*Some of the information contained in this section including information with respect to the Group's plans and strategies for its business and its expected sources of financing, contain forward-looking statements that involve risk and uncertainties. Reference is made to Part I, section 2.3 – "Important notice and expected timetable of principal events" – "Special notice regarding forward-looking statements" for further details of the risks related to those statements. Further, see "Risk Factors" for further details of certain factors that may affect the Group's business, financial condition, and results of operations.*

*In the 2020 Consolidated Financial Statements with comparative numbers for 2019 Alm. Brand Bank A/S (now Syd ABB A/S) is presented as a discontinued activity due to the sale of the bank to Sydbank A/S in November 2020, which is not the case for the Group's consolidated financial statements for 2019 and 2018. The financial figures for 2019 in section 10.9 – "Operating and financial review of the Group" – "Financial results for the financial year 2020 compared to the financial year 2019" are the 2019 figures adjusted for discontinuance of the Alm. Brand Bank A/S (now Syd ABB A/S) as presented in the 2020 Consolidated Financial Statements and explained further in the Prospectus whereas in section 10.10 – "Operating and financial review of the Group" – "Financial results for the financial year 2019 compared to the financial year 2018" the financial figures for 2019 are presented as in the 2019 Consolidated Financial Statements and explained further in the Prospectus.*

*In the Q1 – Q3 2021 Condensed Interim Financial Statements with comparative numbers for the period Q1 – Q3 2020, Alm. Brand Liv og Pension is presented as a discontinued activity due to a conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S, which is not the case for the Group's consolidated financial statements for 2020, 2019 and 2018. Furthermore, in the comparative numbers for the period Q1 – Q3 2020, Alm. Brand Bank A/S (now Syd ABB A/S) is presented as a discontinued activity as explained above. The financial figures for the period Q1 – Q3 2020 in section 10.9 – "Operating and financial review of the Group" – "Financial results for the financial year 2020 compared to the financial year 2019" are the Q1 – Q3 2020 figures adjusted for discontinuance of Alm. Brand Liv og Pension and Alm. Brand Bank A/S (now Syd ABB A/S) as presented in the Q1 – Q3 2021 Condensed Interim Financial Statements.*

## 10.1 Overview

As at 31 December 2020, the Group's non-life insurance products protected approximately 410,000 customers, and 70,000 customers benefitted from the Group's life-insurance products, including private individuals, households, small, medium-sized, and large corporate customers. In addition, the Group company Alm. Brand PIA A/S administrates, and partly owns, primarily a limited run-off mortgage credit portfolio. As of 30 September 2021, the Group had around 1,400 full-time employees (2020: around 1,400 full-time employees) working at the Group's head office in Copenhagen, Denmark, and in the Group's local offices.

The Group generated a consolidated profit before tax on continuing activities of DKK 500 million in Q1 – Q3 2021 against adjusted profit/loss before tax, continuing activities (APM) of DKK 506 million in Q1 – Q3 2020, adjusted profit/loss before tax, continuing activities (APM) of DKK 833 million in 2020, DKK 553 million in 2019 (2020 and 2019 including Alm. Brand Liv og Pension) and adjusted profit/loss before tax, continuing activities (APM) of DKK 724 million in 2018 (2018 is including Alm. Brand Liv og Pension and Alm. Brand Bank A/S (now Syd ABB A/S)). The adjusted profit before tax for Q1 – Q3 2021 includes special cost related to the acquisition of Codan Denmark of DKK 90 million. The year 2020 includes special corporate expenses for restructuring and divestment of Alm. Brand Bank A/S (now Syd ABB A/S) of DKK 98 million but excludes the eliminations of group internal costs of DKK 30 million (APM). The adjusted profit before tax for 2019 for the continuing activities includes special costs of DKK 64 million (APM) related primarily to restructuring but excludes the eliminations of group internal costs of DKK 34 million (APM). The realised profit before tax on continuing activities equalled a return on equity (APM) of 18.6% in Q1 – Q3 2021 (13.9% in Q1 – Q3 2020), 17.1% in 2020, 11.8% in 2019 (2020 and 2019 including Alm. Brand Liv og Pension) and 15.2% in 2018 (2018 including Alm. Brand Liv og Pension and Alm. Brand Bank A/S (now Syd ABB A/S)).

The table below presents the Group's consolidated income by operating segment for the interim period Q1 – Q3 2021 and Q1 – Q3 2020 as well as the years ended 31 December 2020, 2019 and 2018. See Part I, section 6 – "Business overview of the Group" for a description of the Group's operating segments. The numbers for 2019 are as presented in the 2020 Consolidated Financial Statements, where the banking segment is presented as discontinued activities. The numbers for Q1 – Q3 2020 are as presented in the Q1 – Q3 2021 Condensed Interim Financial Statements where Alm. Brand Liv og Pension is presented as discontinued activities.

**Table no. 25 – The Group's consolidated income by operating segments**

	Nine months ended 30 September		Financial year ended 31 December		
	2021 <sup>1)</sup>	2020 <sup>1)</sup>	2020	2019	2018
	(DKKm)				
Non-life insurance	4,045	3,996	5,471	5,365	5,274
Life insurance	-	-	1,504	1,850	2,004
<b>Total gross premiums</b>	<b>4,045</b>	<b>3,996</b>	<b>6,975</b>	<b>7,215</b>	<b>7,278</b>
Banking	-	-	-	-	954
Investment etc. <sup>2)</sup>	182	108	377	454	376

<b>Total income</b>	<b>4,227</b>	<b>4,104</b>	<b>7,352</b>	<b>7,669</b>	<b>8,608</b>
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<sup>1)</sup> The numbers are derived from the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020.

<sup>2)</sup> Investment etc. comprises the sum of Interest income, Other income from investment activities and Other income.

## 10.2 Current trading and recent developments

As of the Prospectus Date, there have been no significant changes to the Group's financial condition and operating results since 30 September 2021. The Group expects underwriting results for Q4 2021 in line with expectations.

## 10.3 Operating segments

The Group carries out business within two main operating segments: non-life insurance (split in the private customer segment and the commercial customer segment) and life insurance (also covering pension products). The customer segment for private customers and commercial customers are not operating segments as defined in the International Financial Reporting Standard 8, *Operating Segments*.

For further details on the Group's operating and customer segments and financial information pertaining to the operating segments, see Part I, section 6 – "Business overview of the Group" and this section 10 – "Operating and financial review of the Group".

## 10.4 Key factors affecting results of operations

The Group's results of operations are affected by numerous external and internal factors. The following is a description of some of the most important of these factors.

### 10.4.1 Penetration in the Danish insurance market and customer retention

Insurance penetration is generally perceived as very high in Denmark with ratios of non-life insurance premiums as a percentage of GDP among the highest in Europe and the world. The Group believes the high level of non-life insurance penetration is attributable to the fact that businesses and households are relatively well-off and accustomed to purchasing insurance products at the appropriate level for their needs. Further, the Group believes Danish consumers understand the benefits that insurance can offer and are increasingly looking for new add-on insurance products, tailored product bundles and high levels of customer service from brands they trust.

To grow its business and ensure satisfactory customer retention rates, it is the Group's overall goal to create solutions where all the customer's financial needs across insurance and pension are taken care of by the Group together with its partners. As part of this, the Group will advise the customers proactively and offer its best solutions depending on the customer's current needs and situation. The goal is to be able to service the customers when and where they need it and give them a comprehensive overview, advice and solution either via their advisor or via self-service solutions.

Total customer retention for the Group fell slightly in 2020, although the retention rate remained at a high level. Customer retention rates in each of the two non-life customer segments amounted to:

- Non-life private customer segment: 88.1% in Q1 – Q3 2021 and 88.1% in 2020 (2019: 89.4%; 2018: 90.8%).
- Non-life commercial customer segment: 90.9% in Q1 – Q3 2021 and 90.4% in 2020 (2019: 90.3%; 2018: 91.2%).

The Group has initiated several strategic initiatives to ensure a strong customer focus and thereby increasing the retention rates and growing its business, see immediately below.

#### **10.4.2 Strategic initiatives to ensure growth and strong customer retention**

The results achieved during the Periods Under Review reflect the impact of the Group's strategy of a strong customer focus and providing a positive customer experience across the full spectrum of the Group's product range. As part of the strategy, the Group seeks to establish close ties to its customers and aims to build a customer satisfaction that underpins loyalty and supports long-term customer relationships. For further information on the Group's initiatives within this area, please see Part I, section 6.3 – "Business overview of the Group" – "Strategy for the Group".

Within the framework of the strategy, the Group developed and focused its business in Q1 – Q3 2021 and 2020 by introducing innovative customer service solutions (e.g., through digitally enabled sales, as well as through integrated product offerings such as for property purchase, and a shared digital self-service mobile banking experience) and by making strategic opt-ins and opt-outs supporting the Group's development. The Group believes these are important strategic steps in ensuring the transition required to increase the Group's efficiency and adapt to the structural changes taking place in the financial sector.

The main pillars of the Group's strategic initiatives are as follows:

##### *Digital business development to drive customer focus and value*

The many opportunities offered by digitalisation are being embraced throughout the financial sector. Examples of such opportunities for the Group are: more customer-oriented and intuitive solutions accessible when it suits the customer, improved technology to save unnecessary costs and instead invest in new digital value propositions for the benefit of the customers. The Group's vision is to meet the needs of each individual customer using digital solutions which for example is implemented by facilitating integration of the Group's technology with external business partners.

##### *Focusing on select activities to improve performance*

At the end of November 2020, the Company sold and transferred the Group's banking subsidiary, Alm. Brand Bank A/S (now Syd ABB A/S), to Sydbank A/S. After the divestment, the Group's business focus has been solely on non-life and life insurance. However, on 1 October

2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. The Company's focus is now on bringing together the Group's operating and development of competencies for the business areas which will be continued, including to further promote its value proposition, brand and customer satisfaction.

#### *Strategic partnerships as an integral part of the Group's future strategy*

The Group stepped up its partnership ambitions in Q1 – Q3 2021 and 2020. Partnerships supports the Group's overall strategy of building a new and stronger market position, creating further growth, as well as offering new customer experiences and solutions. The partnership efforts are intended to enable further access and penetration of current customer segments and expand reach into new customer segments with a primary focus on building new growth.

The Group has during 2020 successfully established partnerships with Sydbank A/S and Volkswagen Semler Finans Danmark A/S.

#### *Priorities towards 2022*

The Group's primary focus towards 2022 is executing the integration of Codan Denmark as well as new strategic initiatives. It is essential that the Group's digital business development efforts produce solutions which will continue to satisfy customers and realise administrative rationalisation benefits. Furthermore, it is important that the Group's partnership investments contribute with new growth.

The Group cannot provide any assurance that the strategic initiatives will be executed within a specified time frame, or that once achieved the expected competitive advantages will be successfully maintained. Reference is made to Part, I sections 2.3 – "Important notice and expected timetable of principal events" – "Special notice regarding forward-looking statements".

### **10.4.3 Automatic renewal of policies and indexation of premiums**

Automatic renewal of insurance policies is a common feature of the Danish private non-life insurance market and the Danish commercial non-life insurance market. Regulations governing automatic renewal of insurance policies generally provide that insurance policies are automatically renewed each year subject to applicable renewal notice requirements, policyholder cancellation notice requirements, and policyholder termination rights. There have not been significant regulatory changes in the Danish non-life or life insurance market during the Periods Under Review.

Automatic renewal applies to insurance policies issued by the Group. Automatic renewal of policies helps to boost retention levels. This is a key profitability driver. High retention rates help insurers in keeping overall expenses low owing to reduced marketing and sales costs as well as the tendency for established customers to use their insurance products less often than new customers.

Indexation of insurance premiums is also a common feature of the Danish non-life insurance market. The Group uses official government indices which measure relevant consumer wage, price and inflation levels to adjust the basis for annual premiums in accordance with the terms of the policies in some of its lines of business (including both private and business customers). Indexation applies to all of the Group's property, housing and contents and personal accident lines. Price adjustments based on indices are passed on to the customer as part of the automatic contract renewal process in accordance with standard market practice in many of the Group's lines of business. In conjunction with the automatic renewal of policies, indexation results in automatic premium increases from year to year in those lines where it applies.

#### **10.4.4 Acquisitions and divestments**

The Group has during its existence from time to time acquired and divested business areas as part of executing its strategy, see also Part I, section 6 – "Business overview of the Group".

In Q4 2020, the Group divested its banking activities by selling all shares in the subsidiary Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S.

If the Acquisition is completed, it is expected to have a significant impact on the Enlarged Group in future periods. The Group anticipates that, after completion of the Acquisition, the Enlarged Group will be the second largest non-life insurer in Denmark. The Enlarged Group's expected combined pro-forma premium base of DKK 10,794 million in 2020 represents an increase of 202% relative to the Group's standalone premium income, and the increase in scale is expected to provide the Enlarged Group with greater capacity to invest in operational excellence and digital capabilities, as well as further developments in its overall customer proposition. For further information about the Acquisition and the strategic benefits from the Acquisition, please see Part I, section 5.2 – "Details of the Acquisition" – "Strategic rationale".

On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.

#### **10.4.5 Profitability initiatives**

In order to implement the parts of the Group's strategy focusing on improving profitability, the Group has implemented numerous operational and structural initiatives in relation to its non-life and life insurance business.

The following are the most important aspects of the profitability initiatives implemented during the Periods Under Review:

- *Non-life insurance – Claims handling.* Major profitability initiatives have been undertaken within the Group's claims handling area. The automation of claims handling is continuously being upgraded with improvements inclusive RPA technology and advanced STP (robotic automation processes) self-service solutions (see Part I, section 6.2 – "Business overview of the Group" – "Strengths of the Group"). In addition, the Group has increased its efforts



to reduce indemnity spend through amongst other a focus on improving procurement agreements and the establishment of a network of craft and building materials companies with favorable fixed rates for property insurance claims.

- *Non-life insurance - Private customer segment.* Prices have been adjusted for a number of private customers whose risk profile was not correctly reflected in the price. The price adjustments were made on both homeowners' house insurance and motor insurances. The actions were targeted at customers who did not meet profitability targets, whereas customers with satisfactory profitability did not receive price increases except indexation. Furthermore, the Group has changed the methodology for rating customers internally, which enables the Group to increase focus on and taking the right action towards customers who do not meet profitability targets. Accordingly, customers with an overall acceptable profitability have not received price adjustments on individual products, which has improved customer retention. The increased customer retention will assist in ensuring a satisfactory profitability going forward. Customer retention fell slightly in 2020, although the retention rate remained at a high level.
- *Non-life insurance - Corporate customer segment.* In both 2019 and 2020, measures were taken to increase profitability on building insurances in the residential customer segment, as well as on motor insurances and workers' compensation insurances. On workers' compensation insurances the entire portfolio was price-adjusted via the annual premium indexation which in recent years has been at an abnormally high level due to the underlying level of claims compensation having increased accordingly. On both commercial motor insurance and on residential building insurance the necessary price increases were made via individual selection of specific customers or sub-segments which overall did not meet the profitability targets for the Group.
- *Life insurance.* The Group has lowered its direct costs to adapt to the current low interest rate environment and to attract more customers thereby increasing volume. The profitability loss from lowering of costs has been fully offset by decreasing the indirect costs. The Group continues to have some of the industry's lowest costs for average rate products.

For examples of other strategic initiatives, please see Part I, section 6.3 – "Business overview of the Group" – "Strategy for the Group".

#### **10.4.6 Claims development**

Outstanding claims provisions comprise the amounts provided for the period in question 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 (single claims or claims events gross above DKK 1 million). 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. For further information about claims provisions, please refer to the 2020 Consolidated Financial Statements.

Several assumptions and estimates underlying the calculation of the provisions for claims are mutually dependent.

Social inflation may have a great impact on the Group's results and the size of outstanding claims provisions. Social inflation can for example 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 though the Group to some extent has hedged its inflation risks. For further information about the risks associated with social inflation, see also "Risk Factors" and especially 2.20 – "The Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, subject to extensive regulatory requirements. Failure to comply with such requirements, obtain, hold or renew licenses, permissions, authorisations or notifications, or changes to the legal and regulatory systems under which the Enlarged Group will operate could have a material adverse effect on its reputation, cash flows, business, financial condition, results of operations and prospects."

Outstanding claim provisions including risk margin and profit margin amounted to DKK 7,820 million as of 30 September 2021. The reinsures' share of the claims provisions was DKK 268 million as of 30 September 2021. This is excluding provisions related to life insurance liabilities associated with assets classified as held for sale due to the conditional share purchase agreement entered into with Nordic I&P DK ApS regarding the sale of Alm. Brand Liv og Pension.

The calculation of outstanding claims related to life insurance is complex and to a significant extent subject to accounting estimation that is based on the Management judgements and assumptions about future events. Outstanding claim provisions, life insurance provisions and profit margin on life insurances amounted to DKK 22,754 million as of 31 December 2020 (2019: DKK 21,675 million; 2018: DKK 19,731 million). The reinsures' share of the claims provisions was DKK 191 million in 2020 (2019: DKK 140 million; 2018: DKK 140 million).

Although the Group continuously monitors and assesses the size of the Group's outstanding claims, it may be forced to change its assumptions about the levels and frequency of future claims significantly over a short period of time. In addition to the ongoing monitoring of claims

development based on statistical data, regular meetings between actuaries and claims managers are held in the Group where the latest changes in claims patterns, inflation and other significant events are analysed and the consequences for the claim's reserves are quantified. Claims inflation is monitored continuously using internal and external parameters and seeks to implement price adjustments to the extent possible.

Despite the Group's processes and framework, there is an uncertainty relating to outstanding claims provisions although the greatest uncertainty mainly relates to long-tailed classes (i.e., claims which generally are not fully settled for more than three years) such as bodily injury and loss of working capacity claims (personal claims). See also "Risk Factors" for further details on risks related to claims.

#### **10.4.7 Impact on results from significant weather events and other major claims**

Weather conditions in Denmark significantly impact both the frequency and the average size of the Group's claims incurred, its claims ratios and its technical result in a number of its most important business lines. The frequency and severity of major events and catastrophes are inherently unpredictable. The fluctuations in the Group's quarterly results are mainly driven by major claims (single claims or claims events gross above DKK 1 million) and weather events. Such events include, among others, windstorms, severe hail, severe winter weather, cloud-bursts and fires. See also "Risk Factors", 2.1 – "The frequency and severity of claims incurred by the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are affected by the incidence of adverse and extreme weather events, catastrophes and climate change and such factors may accordingly adversely affect their cash flows, business, financial condition, results of operations and prospects." for further details on risks related to significant weather events.

The most common catastrophe risk faced by the Group relates to windstorms in Denmark. The Group has historically incurred significant expenses relating to severe windstorms in Denmark. In general, but with some exceptions, there is no seasonality for major claims (single claims or claims events gross above DKK 1 million) but weather-related claims tend to occur with greater frequency during Q1 and Q4 of the year. The Group has a reinsurance programme in place 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, see Part I, section 6.11 – "Business overview of the Group" – "Underwriting and pricing".

In Q1 – Q3 2021, the major claims (single claims or claims events gross above DKK 1 million) were in line with the expectations while the weather claims were below expectations at the beginning of the year. In the other periods under review, both the level of major claims (single claims or claims events gross above DKK 1 million) and weather claims were below the Group's expectations, but such events are inherently unpredictable. In Q1 – Q3 2021 and 2020, no major weather-related events (being events exceeding DKK 10 million) were reported. Expenses for weather-related claims net of reinsurance were DKK 70 million in Q1 – Q3 2021 and DKK 80 million in 2020 (2019: DKK 140 million; 2018: DKK 62 million). Weather-related claims affected the combined ratio by 1.7 percentage points in Q1 – Q3 2021 and 1.5 percentage points in 2020 (2019: 2.6 percentage points; 2018: 1.2 percentage points).

Net of reinsurance, major claims (single claims or claims events gross above DKK 1 million) expenses totalled DKK 315 million in Q1 – Q3 2021 and DKK 338 million in 2020 (2019: DKK 308 million; 2018: DKK 383 million). Major claims affected the combined ratio by 7.8 percentage points in Q1 – Q3 2021 and by 6.2 percentage points in 2020 (2019: 5.7 percentage points; 2018: 7.3 percentage points).

#### **10.4.8 Impact of COVID-19 lockdowns and related effects**

During the Periods Under Review, the Group's underlying business has continued to perform in extremely difficult economic conditions relating to lockdowns following the COVID-19 pandemic. COVID-19 had a positive effect on the Q1 – Q3 2021 results of about DKK 60 million and a positive effect on the Group's results of about DKK 120 million in 2020 driven by fewer reported claims.

Premium growth in the Danish general insurance market is positively correlated with economic growth, with the private general insurance market historically demonstrating more resilience when the larger economy is exhibiting low growth or contraction. The Management considers the Danish commercial non-life insurance market outlook to be stable. See also "Risk Factors", 2.17 – "COVID-19 has materially impacted and may potentially continue to impact the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group. This may negatively affect the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects."

The lockdown of the society as part of the COVID-19 Measures had a negative effect on the Group's premium income, among other things because the low level of activity naturally had a negative effect on both sales and total premium income and also because premiums on workers' compensation insurance policies were partly adjusted in connection with redundancies. For example, sales to both commercial and private customers were affected by these lockdowns, preventing the insurance agents from having face-to-face customer meetings.

The positive effects from the COVID-19 lockdowns are primarily driven by fewer reported claims especially within motor, travel, personal accident and contents insurance. COVID-19 has had a general positive effect on the technical results in the insurance industry because of lower activity in society, including the temporary lockdowns. This lowered activity and working from home have led to fewer cars on the roads and travel restrictions has reduced travel damages. In addition, there has been a decline in burglary and person injury as people were more often at home and sports activities were shut down for a period.

The Group anticipates that premium growth for the full year 2021 has been impacted negatively by the COVID-19 outbreak due to the low level of activity which has had a negative effect on the sale.

Like other Danish non-life and life insurance companies, the Group's investment returns have been impacted by financial market volatility following the outbreak of COVID-19. From Q2 2020 to Q2 2021, capital markets recovered from losses during Q1 2020. This has generally had

positive impacts on the investment results of Danish non-life and life general insurance companies, including the Group.

**Table no. 26 – The Group's return on investments in Q1 2020 to Q3 2021**

	Q1	Q2	Q3	Q4	Q1	Q2	Q3
(%)	2020	2020	2020	2020	2021	2021	2021
Non-life insurance	-1.3	1.7	0.5	1.0	-0.9	0.9	0.1
Life insurance, shareholder	0.2	0.4	0.4	0.2	-0.9	-0.3	0.1
Life insurance, customer	-2.3	4.1	1.5	2.6	-2.3	0.5	-0.4

#### 10.4.9 Investment-related factors

Return on invested assets is an important element of the Group's financial results. The Group's results are affected to some extent by general capital market conditions and other investment related factors such as fluctuations in interest rates and in particular the development in equity capital markets. The investment result after interest on technical provisions for Alm. Brand Forsikring A/S was a gain of DKK 54 million in Q1 – Q3 2021 and DKK 65 million in 2020 (2019: DKK 37 million; 2018: DKK -33 million). For Alm. Brand Liv og Pension, the return-on-investment assets allocated to equity was a loss of DKK -11 million in Q1 – Q3 2021 and a gain of DKK 1 million in 2020 (2019: DKK -3 million; 2018: DKK -4 million).

In Q4 2020, the Group moved the management of its investments in regular bonds, credit bonds and shares to Nykredit Asset Management. In connection with the change of asset manager, the Group chose to invest in a fund with sustainable high-yield credit bonds and in both passively and actively managed sustainable global equity funds.

The investment assets are distributed on Danish and international bonds, mortgage deeds, non-liquid credit instruments and shares and a small portfolio of property investments. The goal is to achieve a satisfactory financial risk/return ratio. The financial risk is mitigated using derivative financial instruments. The bond portfolio is placed in Danish government bonds and mortgage bonds, European corporate bonds, and derivative fixed-income instruments. Investments in government and mortgage bonds are predominantly placed in issues carrying the highest rating, whereas investments in corporate bonds are mainly placed in the investment grade segment, i.e., investments carrying a rating of at least BBB-/Baa3.

The low interest rate levels and the large re-mortgaging of loans based on callable mortgage bonds affected the Group's return negatively, whereas the bond portfolio investments had a positive effect given favourable effects from interest rate declines in 2020.

The Group has limited exposure to equities, consisting primarily of sustainable global equity funds and a small portfolio of strategic equities. The global equity markets developed favourably in 2020 and thus made a positive, but relatively small, contribution to the performance.

The Group uses derivative financial instruments as a risk management tool and to enhance the efficiency of its portfolio management. Derivatives are used to mitigate 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 increase, giving the Group no time to adjust its hedging activities. The amounts of derivatives will change over time as market conditions and its underlying investment portfolio change. The asset portfolio for the hedging of interest rate risk on provisions is composed to match the fluctuations on liabilities occurring in step with market changes in the underlying components of the yield curve. The hedging strategy produced a satisfactory result throughout 2020. The overall result of the hedging portfolio and value adjustment of provisions was positive in the financial year 2020 and positive as at 30 September 2021. Please refer to Part I, section 6.10 – "Business overview of the Group" – "Investments" for information about the Group's investment return. For information on factors affecting the investments, please see "Risk Factors".

#### **10.4.10 Technical rate of interest for life insurance**

Alm. Brand Liv og Pension is using a technical basis principle. The technical basis is a set of rules that Alm. Brand Liv og Pension applies when calculating what the price of a particular life insurance should be. The calculation basis contains pre-assumptions about future interest rates, costs, mortality, and disability among customers.

The Danish FSA has lowered the technical rate of interest to minus 0.5%. Despite this, the Group expects to continue to be able to offer customers the average rate product at an attractive rate on policyholders' savings.

#### **10.5 Critical accounting policies and estimates**

The preparation of the Group's financial statements requires the Management to make judgments, assumptions and estimates that affect the amounts reported in its financial statements and the related notes. The Group's significant accounting policies are summarised in the notes of its consolidated financial statements, which are prepared in accordance with IFRS as adopted by the EU and in accordance with the Danish Executive Order on Adoption of IFRS. The 2020 Consolidated Financial Statements, the 2019 Consolidated Financial Statements, 2018 Consolidated Financial Statements and Q1 – Q3 2021 Consolidated Financial Statements are incorporated by reference in Part I, section 4 – "Presentation of financial information". Although the Group believes that its judgments and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.

Since the end of the period covered by the Q1 – Q3 2021 Condensed Interim Financial Statements, no significant change to the financial position of the Group has occurred.

#### **10.6 Accounting and tax regulation**

At the date of the Prospectus Date, a number of new or amended IFRS standards have not yet entered into force and/or been adopted for use in the EU and are therefore not included in the 2020 Consolidated Financial Statements and Q1 – Q3 2021 Consolidated Financial Statements,

being the latest financial statements of the Group as at the Prospectus Date. The Company does not expect to implement the new accounting standards and interpretations until they become mandatory.

Except for IFRS 17 (Insurance Contracts), none of the new standards or interpretations are expected to have a significant impact on the financial reporting of the Group. 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 2023. The effects of the new standard will be analysed and assessed over the coming financial years.

The Danish government has entered into an agreement with certain political parties in Denmark on imposing increased tax on financial institutions. According to the agreement, the intention is to generate a tax income for Denmark in the amount of DKK 1 billion in 2023 and DKK 1.26 billion per year from 2024. The Danish government expects to present a bill to the Danish parliament in this respect in February 2022 according to which the increased tax will be 3.2% of taxable income in 2023 and 4% of taxable income in the following years. Depending on the final act, if adopted by the Danish parliament, it may substantially increase the Enlarged Group's tax payments from 2023, see also "Risk Factors", 2.20 – "The Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, subject to extensive regulatory requirements. Failure to comply with such requirements, obtain, hold or renew licenses, permissions, authorisations or notifications, or changes to the legal and regulatory systems under which the Enlarged Group will operate could have a material adverse effect on its reputation, cash flows, business, financial condition, results of operations and prospects."

## **10.7 Key performance indicators and targets**

The Group intends to continue its focus on maintaining underwriting discipline and long-term profitability. As a part of this focus, the Group's management monitors, among other factors, growth in its product lines, the efficiency of its resources and return on investment, as well as customer and employee satisfaction. For further information, please see Part I, section 4.5 – "Presentation of financial information" – "Key ratios and alternative performance measures".

## **10.8 Financial results for Q1 – Q3 2021 compared to Q1 – Q3 2020**

Because of the conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of Alm. Brand Liv og Pension, in the Q1 – Q3 2021 Condensed Interim Financial Statements Alm. Brand Liv og Pension is presented as a discontinued activity and the comparative numbers for Q1 – Q3 2020 have been adjusted accordingly. Furthermore, in the comparative period Q1 – Q3 2020 Alm. Brand Bank A/S (now Syd ABB A/S) is also presented as discontinued activity because of the Group's sale in November 2020 of Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S.

Certain financial line items in the tables in this section 10.8 are labelled doubled with a slash ("/") between. The label before the slash applies to the number in the first column of the table and the label after the slash applies to the amount in the right column of the table. Differences

in presentation relate to whether adjustments are relevant for the particular period and, accordingly, whether the figure is presented in accordance with IFRS or as an APM.

#### **10.8.1 Group results**

The Group's profit/loss and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 are set out in the table below. The table is extracted from financial highlights presented in the Management's review in the condensed interim financial report for Q3 2021.

The line items marked with footnote 1) in the tables below deviate from the corresponding figures in the Group's Q1 – Q3 2021 Condensed Interim Financial Statements as discussed in more detail in Part I, section 4.5 – “Presentation of financial information” – “Key ratios and alternative performance measures” together with information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the Q1 – Q3 2021 Condensed Consolidated Interim Financial Statements incorporated by reference into this Prospectus and section 4.5 – “Presentation of financial information” – “Key ratios and alternative performance measures”.



**Table no. 27 – The Group's profit/loss and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020**

	Nine months ended 30 September 2021 <sup>1)</sup>	Nine months ended 30 Sep- tember 2020 <sup>1)</sup>
	(DKKm)	
<b>Profit/loss</b>		
Non-life insurance	650	548
Adjusted other activities (APM) / Other activities (IFRS) <sup>2)</sup>	-60	-42
<b>Profit/loss before tax, continuing activities excluding special costs (APM) / Adjusted profit/loss before tax, continuing activities (APM) <sup>2)</sup></b>	<b>590</b>	<b>506</b>
Special costs <sup>2)</sup>	-90	-
<b>Profit/loss before tax, continuing activities (IFRS) / Adjusted profit/loss before tax, continuing activities (APM)<sup>2)</sup></b>	<b>500</b>	<b>506</b>
Tax, continuing activities (IFRS) / Adjusted tax, continuing activities (APM) <sup>2)</sup>	-153	-116
<b>Profit/loss after tax, continuing activities (IFRS) / Adjusted profit/loss after tax, continuing activities (APM)<sup>2)</sup></b>	<b>347</b>	<b>390</b>
Profit/loss after tax, discontinued activities (IFRS) / Adjusted profit/loss after tax, discontinued activities (APM) <sup>2)</sup>	75	161
<b>Profit/loss after tax</b>	<b>422</b>	<b>551</b>
Total provisions for insurance contracts	7,820	24,492
Consolidated shareholders' equity	3,271	5,100
Total assets	30,124	42,711
Average no. of employees	1,395	1,725
Return on equity before tax, continuing activities (APM) / Adjusted return on equity before tax, continuing activities (APM) (%)	18.6	13.9
Adjusted return on equity before tax (APM) / Return on equity before tax (APM) (%) <sup>2)</sup>	25.5	19.5
Adjusted return on equity after tax (APM) / Return on equity after tax (%)	19.1	15.2

<sup>1)</sup> The numbers are derived from the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020. Alm. Brand Liv og Pension is presented as a discontinued activity due to a conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. The comparative figures for the Q1 – Q3 2020 have been adjusted accordingly. Furthermore, the comparative numbers for the Q1 – Q3 2020 have been adjusted to reflect Alm. Brand Bank A/S (now Syd ABB A/S) being a discontinued activity as due to the sale of the bank to Sydbank in 2020.

<sup>2)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its interim report. The line items marked with <sup>2)</sup> deviate from the corresponding figures in the condensed consolidated interim financial statements prepared under IAS 34 or are based on items

that deviate from the figures in those condensed consolidated interim financial statements. Profit/loss before tax, continuing activities excludes special costs of DKK 90 million in Other activities in Q1 – Q3 2021. See more details in Part I, section 4.5 – “Presentation of financial information” – “Key ratios and alternative performance measures”.

#### *Profit/loss before tax*

The Group generated a consolidated profit before tax on continuing activities excluding special costs (APM) of DKK 590 million in Q1 – Q3 2021 against adjusted profit/loss before tax, continuing activities (APM) of DKK 506 million in Q1 – Q3 2020. The profit before tax for Q1 – Q3 2021 for the continuing activities including special costs related to the acquisition of Codan Denmark of DKK 90 million (APM) was DKK 500 million.

#### *Profit/loss after tax, discontinued activities*

The Group posted in Q1 – Q3 2021 a profit after tax on discontinued activities of DKK 75 million after tax, against an adjusted profit after tax on discontinued activities (APM) of DKK 161 million in Q1 – Q3 2020. Both periods include profit after tax for Alm. Brand Liv og Pension due to the conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. Furthermore, discontinued activities include Alm. Brand Bank A/S (now Syd ABB A/S) in Q1 – Q3 2020 due to the sale of the bank to Sydbank A/S in November 2020.

#### *Special costs*

The profit for Q1 – Q3 2021 included special related to the acquisition of Codan Denmark of DKK 90 million.

### **10.8.2 Non-life insurance**

#### **Overall**

Non-life Insurance generated a profit before tax on continuing activities of DKK 650 million in Q1 – Q3 2021, against a profit before tax on continuing activities of DKK 548 million in Q1 – Q3 2020. The result was positively impacted by the underlying operation with favourable claims experience on minor claims than expected and less claims expenses for weather-related claims. After the gradual reopening of the society after Covid-19 the claims frequency has almost been normalized and the effect on earnings has been less than last year. Conversely, reversion to physical meetings with customers has positively impacted the sale of insurances. The result has furthermore been impacted by a positive investment result that reflect the overall positive development on the financial markets in the period.

The adjusted technical result amounted (APM) to DKK 596 million in Q1 – Q3 2021, against technical result of DKK 557 million in Q1 – Q3 2020.

As a consequence of the conditional share purchase agreement entered into on 1 October 2021 on the sale of Alm. Brand Liv og Pension, health and accident insurance has been presented

within discontinued activities. Thus, non-life insurance will onwards include the insurance business of Alm. Brand Forsikring A/S only.

The Group's profit/loss and key figures for the Q1 – Q3 2021 compared to the same period of 2020 for its non-life insurance business are set out in the table below. The table is provided on the same basis as financial highlights for Q3 2021 with comparative figures for Q3 2020 presented in the management's review in the Condensed interim financial report for Q3 2021.

**Table no. 28 – The Group's profit/loss and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for its non-life insurance business**

	<b>Nine months ended 30 September 2021<sup>1)</sup></b>	<b>Nine months ended 30 September 2020<sup>1)</sup></b>
	<b>(DKKm)</b>	
Gross premium income	4,045	3,996
Adjusted claims expenses (APM) / Claims expenses (IFRS) <sup>2)</sup>	-2,766	-2,636
Adjusted insurance operating expenses (APM) / insurance operating expenses (IFRS) <sup>2)</sup>	-699	-676
Profit/loss on reinsurance <sup>4)</sup>	16	-127
<b>Adjusted technical result (APM) / Technical result (IFRS) <sup>2)</sup></b>	<b>596</b>	<b>557</b>
Interest and dividends, etc.	70	85
Capital gains and losses	-163	-2
Administrative expenses related to investment activities	-10	-20
Return on and value adjustment of technical provisions	157	-72
<b>Investment return after return on and value adjustment of technical provisions</b>	<b>54</b>	<b>-9</b>
<b>Profit/loss before tax, continuing activities</b>	<b>650</b>	<b>548</b>
Tax, continuing activities	-147	-124
<b>Profit/loss after tax, continuing activities</b>	<b>503</b>	<b>424</b>
Run-off result, claims	71	83
Run-off result, risk margin (APM)	81	40
Adjusted gross claims ratio (APM) / Gross claims ratio (%) <sup>2)</sup>	68.4	66.0
Net reinsurance ratio (%)	-0.4	3.2
<b>Adjusted claims experience (APM) / Claims experience (APM) (%)<sup>2)</sup></b>	<b>68.0</b>	<b>69.2</b>
Adjusted gross expense ratio (APM) / Gross expense ratio (%) <sup>2)</sup>	17.3	16.9
<b>Adjusted combined ratio (APM) / Combined ratio (%) <sup>2)</sup></b>	<b>85.3</b>	<b>86.1</b>
Adjusted Combined Ratio Excluding Run-off Result (APM) / Combined Ratio Excluding Run-off Result (APM) (%) <sup>3)</sup>	87.1	88.2

<sup>1)</sup> The numbers are derived from the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020.

<sup>2)</sup> The line items and ratios marked with footnote <sup>2)</sup> deviate from the corresponding figures in the condensed consolidated interim financial statements prepared under IAS 34 or are based on items that deviate from the figures in those condensed consolidated interim financial statements. In Q1 – Q3 2021 DKK 68 million presented in the condensed consolidated interim financial statements under Other income, are in financial highlights above offset against Claims expenses in the amount of DKK 20 million and against insurance operating expenses in the amount of DKK 48 million. Other income of DKK 68 million is agreed fees for administration services provided to Alm. Brand Bank A/S (now Syd ABB A/S) according to a transitional service agreement agreed with Sydbank A/S. The Claim ratios, expense ratio and combined ratios are adjusted accordingly.

<sup>3)</sup> Run-off result is calculated excluding share of risk margin.

### *Gross premium income*

Gross premiums rose by 1.2% to DKK 4,045 million in Q1 – Q3 2021 from 3,996 DKK million in Q1 – Q3 2020. The increase was achieved on the back of positive trends in Q3 2021 following more subdued trends in the initial months of the year with the COVID-19 lockdown.

### *Claims expenses*

The adjusted claims experience (APM) was 68.0% in Q1 – Q3 2021, against a claims experience (APM) of 69.2% in Q1 – Q3 2020. The adjusted claims experience and the claims experience was impacted by positive effects from COVID-19 in both 2020 and 2021. In Q1 – Q3 2020, the impact was a little less than two percentage points and the effect in Q1 – Q3 2021 was of little lower. The claims experience made in relation to minor claims was lower in Q1 – Q3 2021 compared to Q1 – Q3 2020. The claims experience was negatively affected by higher expenses for major claims (single claims or claims events gross above DKK 1 million). Finally, the run-off result affected the claims experience favourably by 1.8 percentage points.

The claims expenses were 68.5% excluding income recognised in respect of the TSA.

### *Weather-related claims*

Expenses for weather-related claims net of reinsurance were DKK 70 million in Q1 – Q3 2021, against DKK 74 million in Q1 – Q3 2020. Weather conditions in the first part of 2021 only resulted in few weather-related claims, but due to the rainy and windy late summer months, the level of claims expenses was ultimately in line with expectations. Overall, the first nine months of the year saw fewer weather-related claims as compared with expectations at the beginning of the year. Weather-related claims affected the combined ratio 1.7 percentage points, against 1.9 percentage points in Q1 – Q3 2020.

### *Major claims*

Expenses for major claims (single claims or claims events gross above DKK 1 million) were DKK 315 million in Q1 – Q3 2021, against DKK 255 million in Q1 – Q3 2020. The expenses for major claims were as expected. The effect on the combined ratio was 7.8 percentage points, against 6.4 percentage points in Q1 – Q3 2020. A single large claim impacted the result in Q1 – Q3 2021 negatively with DKK 30 million.

### *Underlying business*

The strong operating performance was reflected in the underlying combined ratio (APM), which was 78.5 in first nine months of 2021, against 79.6 in the first nine months of 2020. In both years COVID-19 affected the results positively in the first nine months due to lower activity in society. It is estimated that the lower level of activity resulted in fewer claims within burglary, motor, and workers compensation claims.

### *Run-off result*

Run-off gains on claims net of reinsurance amounted to DKK 71 million in Q1 – Q3 2021, against DKK 83 million in Q1 – Q3 2020, mainly driven by a positive result in workers compensation insurance, fire and property and liability insurance.

### *Insurance operating expenses*

Adjusted insurance operating expenses (APM) amounted to DKK 699 million in Q1 – Q3 2021, against insurance operating expense of DKK 676 million in Q1 – Q3 2020, equivalent to an adjusted expense ratio of 17.3 (APM) in Q1 – Q3 2021 (an expense ratio of 16.9 percentage points in Q1 – Q3 2020). The expense ratio, including expenses for establishing partnerships, was as expected.

The insurance operating expenses was 18.5% excluding off-setting of income recognized in respect of the TSA.

### *Combined ratio*

The adjusted combined ratio (APM) was 85.3 in Q1 – Q3 2021, being favourably affected by fewer expenses to minor claims. Adjusted combined ratio excluding run-off result (APM) on claims provisions was 87.1 against an adjusted combined ratio excluding run-off result (APM) of 88.2 in Q1 – Q3 2020.

The underlying combined ratio (APM) was 78.5 in Q1 – Q3 2021, marking a 1.1 percentage point improvement relative to Q1 – Q3 2020. The adjusted claims experience was positively impacted by COVID-19 in both periods. In Q1 – Q3 2020, the impact was a little less than two percentage points and the effect in Q1 – Q3 2021 was a little lower.

**Table no. 29 – Underlying combined ratio (APM) for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for the Group's non-life insurance business**

	Nine months ended 30 September 2021 <sup>1)</sup>	Nine months ended 30 September 2020 <sup>1)</sup>
	(DKKm)	
Combined Ratio, Underlying Business (APM) <sup>1)</sup>	78.5	79.6
Weather-related claims, net of reinsurance (APM)	1.7	1.9
Major claims, net of reinsurance (APM)	7.8	6.4
Run-off result, claims	-1.8	-2.1
Change in risk margin, run-off result and current year (APM)	-0.9	-0.3
<b>Adjusted combined ratio (APM) / Combined ratio <sup>1)</sup></b>	<b>85.3</b>	<b>86.1</b>

<sup>1)</sup> Q1 – Q3 2021 is after offsetting of other income of DKK 68 million against claims expenses and insurance operating expenses, equivalent to an impact of 1.7 percentage points on the combined ratio.

### *Investments*

Financial markets overall developed favourably in Q1 – Q3 2021, with the non-life insurance business reporting an investment return of DKK 54 million against a loss of DKK 9 million in Q1 – Q3 2020. The result was satisfactory considering the favourable market conditions supported by continued central bank stimuli.

The investment assets are distributed on Danish and international bonds, mortgage loans, illiquid credit and equities in addition to a small portfolio of properties. The overall aim is to have a satisfactory balance between return and risks. The financial risk is adapted using derivative financial instruments.

The interest on technical provisions is calculated using the EIOPA discount curve plus a volatility adjustment (the “VA premium”). The asset portfolio for the hedging of interest rate risk on provisions is composed to match the fluctuations on provisions occurring in step with market changes in the underlying components of the yield curve.

### **Private**

The adjusted technical result (APM) amounted to a profit of DKK 334 million in Q1 – Q3 2021, against technical result of DKK 320 million in Q1 – Q3 2020.

The technical result and key figures for the Q1 – Q3 2021 compared to Q1 – Q3 2020 for the Group's non-life insurance private business are set out in the table below.

**Table no. 30 – The Group's profit/loss and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for its non-life insurance business, private customer segment**

	<b>Nine months ended 30 September 2021<sup>1)</sup></b>	<b>Nine months ended 30 September 2020<sup>1)</sup></b>
	<b>(DKKm)</b>	
Gross premium income	1,941	1,973
Adjusted claims expenses (APM) / Claims expenses (IFRS) <sup>2)</sup>	-1,186	-1,259
Adjusted insurance operating expenses (APM) / insurance operating expenses (IFRS) <sup>2)</sup>	-383	-358
Profit/loss on reinsurance	-38	-36
<b>Adjusted technical result (APM) / Technical result (IFRS)<sup>2)</sup></b>	<b>334</b>	<b>320</b>
Run-off result, claims	31	72
Run-off result, risk margin (APM)	27	19
Adjusted gross claims ratio (APM) / Gross claims ratio (%) <sup>2)</sup>	61.1	63.8
Net reinsurance ratio (%)	2.0	1.9
<b>Adjusted claims experience (APM) / Claims experience (APM) (%)<sup>2)</sup></b>	<b>63.1</b>	<b>65.7</b>
Adjusted gross expense ratio (APM) / Gross expense ratio (%) <sup>2)</sup>	19.7	18.1
<b>Adjusted combined Ratio (APM) / Combined ratio (%)<sup>2)</sup></b>	<b>82.8</b>	<b>83.8</b>

<sup>1)</sup> The numbers are based on the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020.

<sup>2)</sup> The line items and ratios marked with footnote <sup>2)</sup> deviate from the corresponding figures in the condensed consolidated interim financial statements prepared under IAS 34 or are based on items that deviate from the figures in those condensed consolidated interim financial statements. In Q1 – Q3 2021 DKK 32 million presented in condensed the consolidated interim financial statements under Other income, are in financial highlights above offset against claims expenses in the amount of DKK 9 million and against Insurance operation expenses in the amount of DKK 23 million. Other income of DKK 32 million is agreed fees for administration services provided to Alm. Brand Bank A/S (now Syd ABB A/S) according to a transitional service agreement agreed with Sydbank A/S. The purpose of the fees is to compensate the Group for costs related to the service provide and included in the line items mentioned above, and therefore offset in the financial highlight. The claim ratios, expense ratio and combined ratios are adjusted accordingly.

#### *Gross premium income*

Gross premium income was DKK 1,941 million in Q1 – Q3 2021, against DKK 1,973 million in Q1 – Q3 2020. The growth was -1.6%. After the reopening of the Danish society after COVID-19, the Group's sale of new non-life insurances increased, but as expected the impact is first seen at the end of the period, thus the earned premium in Q3 2021 has grown compared to Q2 2021.

### *Claims expenses*

The adjusted claims experience (APM) was 63.1 in Q1 – Q3 2021, marking an improvement from claims experience (APM) at 65.7 in Q1 – Q3 2020.

Net of reinsurance, expenses for weather-related claims amounted to DKK 23 million in Q1 – Q3 2021, against DKK 27 million in Q1 – Q3 2020. Weather-related claims affected the combined ratio by 1.2 percentage points in Q1 – Q3 2021, against 1.4 percentage points in Q1 – Q3 2020.

Expenses for major claims (single claims or claims events gross above DKK 1 million) totalled DKK 46 million net of reinsurance, which was also less than expected, affecting the combined ratio by 2.4 percentage points. Expenses for major claims totalled DKK 53 in Q1 – Q3 2020, affecting the combined ratio by 2.7 percentage points.

The underlying combined ratio (APM) was DKK 81.3 in Q1 – Q3 2021, which was less than anticipated. The claims ratio generally fell in several lines both because of COVID-19 and reduced minor claims.

### *Run-off result*

The run-off result on claims net of reinsurance was a gain of DKK 31 million, against DKK 72 million in Q1 – Q3 2020, mainly driven by a positive result on personal accident insurance and travel insurance.

### *Insurance operating expenses*

Adjusted insurance operating expenses amounted to DKK 383 million (APM) in Q1 – Q3 2021, against insurance operating expenses of DKK 358 million in Q1 – Q3 2020, equivalent to an adjusted expense ratio (APM) of 19.7 in Q1 – Q3 2021.

### *Combined ratio*

The adjusted combined ratio was 82.8 in Q1 – Q3 2021 (APM), which was satisfactory and reflected an improvement driven by lower expenses for minor claims but also both major claims (single claims or claims events gross above DKK 1 million) and weather-related claims, but lower than last year run-off result.

The underlying combined ratio (APM) was 81.3, which was an improvement at 1.9 percentage points driven by lower minor claims.



**Table no. 31 – Underlying combined ratio (APM) for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for the Group's non-life insurance business, private segment**

	<b>Nine months ended 30 September 2021<sup>1)</sup></b>	<b>Nine months ended 30 Sep- tember 2020</b>
	<b>(DKKm)</b>	
Combined Ratio, Underlying Business (APM)	81.3	83.2
Weather-related claims, net of reinsurance (APM)	1.2	1.4
Major claims, net of reinsurance (APM)	2.4	2.7
Run-off result, claims	-1.6	-3.7
Change in risk margin, run-off result and current year (APM)	-0.5	0.1
<b>Adjusted combined ratio (APM) / Combined ratio</b>	<b>82.8</b>	<b>83.8</b>

<sup>1)</sup> the figures for Q1 – Q3 2021 reflect offsetting of other income of DKK 32 million against claims expenses and insurance operating expenses, equivalent to an impact of 1.6 percentage point on the combined ratio.

### **Commercial**

The adjusted technical result (APM) amounted to a profit of DKK 262 million in Q1 – Q3 2021, against technical result of DKK 237 million in Q1 – Q3 2020.

The technical result and key figures for the Q1 – Q3 2021 compared to Q1 – Q3 2020 for the Group's non-life insurance commercial business are set out in the table below.

**Table no. 32 – The Group's profit/loss and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for its non-life insurance business, commercial customer segment**

	Nine months ended 30 September 2021 <sup>1)</sup>	Nine months ended 30 September 2020 <sup>1)</sup>
	(DKKm)	
Gross premium income	2,104	2,023
Adjusted claims expenses(APM) / Claims expenses (IFRS) <sup>2)</sup>	-1,580	-1,377
Adjusted insurance operating expenses(APM) / insurance operating expenses (IFRS) <sup>2)</sup>	-316	-318
Profit/loss on reinsurance	54	-91
<b>Adjusted technical result(APM) / Technical result (IFRS)<sup>2)</sup></b>	<b>262</b>	<b>237</b>
Run-off result, claims	41	11
Run-off result, risk margin (APM)	53	21
Adjusted gross claims ratio (APM) / Gross claims ratio (%) <sup>2)</sup>	75.1	68.1
Net reinsurance ratio (%)	-2.5	4.5
<b>Adjusted claims experience (APM) / Claims experience (APM) (%)<sup>2)</sup></b>	<b>72.6</b>	<b>72.6</b>
Adjusted gross expense ratio (APM) / Gross expense ratio (%) <sup>2)</sup>	15.0	15.7
<b>Adjusted combined Ratio (APM) / Combined ratio (%)<sup>2)</sup></b>	<b>87.6</b>	<b>88.3</b>

<sup>1)</sup> The numbers are based on the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020.

<sup>2)</sup> The line items and ratios marked with footnote <sup>2)</sup> deviate from the corresponding figures in the condensed consolidated interim financial statements prepared under IAS 34 or are based on items that deviate from the figures in those condensed consolidated interim financial statements. In Q1 – Q3 2021 DKK 36 million presented in the condensed consolidated interim financial statements under Other income, are in financial highlights above offset against Claims expenses in the amount of DKK 11 million and against Insurance operation expenses in the amount of DKK 25 million. Other income of DKK 36 million is agreed fees for administration services provided to Alm. Brand Bank A/S (now Syd ABB A/S) according to a transitional service agreement agreed with Sydbank A/S. The purpose of the fees is to compensate the Group for costs related to the service provide and included in the line items mentioned above, and therefore offset in the financial highlight. The claim ratios, expense ratio and combined ratios are adjusted accordingly.

#### *Gross premium income*

Gross premium income was DKK 2,104 million in Q1 – Q3 2021, against DKK 2,023 million in Q1 – Q3 2020. The growth was 4.0% and very satisfactory. The growth was driven by increased sales and continued price adjustments on selected insurance products.

Commercial has successfully sharpened its growth focus and has succeeded in increasing sales to new customers based on a stronger collaboration between sales and underwriting and more data-driven sales follow-up.

### *Claims expenses*

The adjusted claims experience was 72.6% (APM) in Q1 – Q3 2021, against an claims experience (APM) of 72.6% in Q1 – Q3 2020.

Net of reinsurance, expenses for weather-related claims amounted to DKK 47 million, which was the same level as Q1 – Q3 2020 (DKK 47 million). The expense level was lower than expected at the beginning of the year. Weather-related claims affected the combined ratio by 2.2 percentage points in Q1 – Q3 2021, against 2.3 percentage points in Q1 – Q3 2020.

Expenses for major claims (single claims or claims events gross above DKK 1 million) were DKK 269 million net of reinsurance, affecting the combined ratio by 12.8 percentage points, which was more than in Q1 – Q3 2020. In Q1 – Q3 2020, expenses for major claims were DKK 202 million net of reinsurance and affected the combined ratio by 10.0 percentage points. The amount of major claims in Q1 – Q3 2021 is impacted by a single major claim costing DKK 30 million net of reinsurance coverage.

The underlying combined ratio (APM) was 75.8% in Q1 – Q3 2021, against 76.0% in Q1 – Q3 2020.

### *Run-off result*

The run-off result on claims net of reinsurance amounted to a profit of DKK 41 million, against DKK 11 million in Q1 – Q3 2020, mainly driven by a positive result on fire and property and liability insurance.

### *Insurance operating expenses*

Adjusted insurance operating expenses amounted to DKK 316 million in Q1 – Q3 2021 (APM), against insurance operating expenses of DKK 318 million (APM) in Q1 – Q3 2020, equivalent to an adjusted gross expense ratio (APM) of 15.0 in Q1 – Q3 2021 (gross expense ratio of 15.7 in Q1 – Q3 2020).

### *Combined ratio*

The adjusted combined ratio (APM) in Q1 – Q3 2021 was 87.6 against a combined ratio of 88.3 in Q1 – Q3 2020, which was an improvement relative to expectations and lower than the combined ratio in Q1 – Q3 2020. The result was favorably affected by fewer minor claims, positive effect on risk margin due to an extension of the partial internal model and run-off result.

The underlying combined ratio (APM) was in Q1 – Q3 2021 75.8, against 76.0 in Q1 – Q3 2020.

**Table no. 33 – Underlying combined ratio (APM) for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for the Group's non-life insurance business, commercial customer segment**

	<b>Nine months ended 30 September 2021<sup>1)</sup></b>	<b>Nine months ended 30 Sep- tember 2020</b>
	<b>(DKKm)</b>	
Combined Ratio, Underlying Business (APM)	75.8	76.0
Weather-related claims, net of reinsurance (APM)	2.2	2.3
Major claims, net of reinsurance (APM)	12.8	10.0
Run-off result, claims	-1.9	-0.5
Change in risk margin, run-off result and current year (APM)	-1.3	-0.5
<b>Adjusted combined ratio / Combined ratio (APM)</b>	<b>87.6</b>	<b>88.3</b>

<sup>1)</sup> the figures for Q1 – Q3 2021 reflect offsetting of other income of DKK 36 million against claims expenses and insurance operating expenses, equivalent to an impact of 1.7 percentage point on the combined ratio.

### **10.8.3 Other activities**

Other activities, consisting primarily of corporate expenses, performed in line with latest expectations, reporting a loss before tax of DKK 60 million excluding special costs of DKK 90 million (APM). In 2019, other activities reported a loss before tax of DKK 42 million. The result for Q1 – Q3 2021 is negatively affected by a negative value adjustment of unlisted shares and a capital loss in connection with the repayment of subordinated capital.

### **10.8.4 Discontinued activities**

Alm. Brand Liv og Pension generated a profit before tax of DKK 94 million in Q1 – Q3 2021 including the result for health insurance which previously has been presented as a part of the non-life insurance segment. The performance was satisfactory and in line with expectations. Profit after tax was DKK 75 million. The bonus rate was 17.7 by 30 September 2021 and had increased with 2.5 percentage points since 1 January 2021. In the light of current interest rate levels, the bonus rate remains highly satisfactory.

Furthermore, the result of discontinued activities in Q1 – Q3 2020 include Alm. Brand Bank A/S (now Syd ABB A/S) by a profit after tax of DKK 73 million. The bank had increased earnings in the period because of new fees and negative interest on deposits from the beginning of 2020.

### **10.8.5 Further information**

For further information about the financial results for the Group for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020, please see Part I, section 4.2 – "Presentation of financial information" – "Presentation of financial information for the Group".

## **10.9 Financial results for the financial year 2020 compared to the financial year 2019**

Because of the Group's sale in November 2020 of Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S, in the 2020 Consolidated Financial Statements Alm. Brand Bank A/S (now Syd ABB A/S) is presented as a discontinued activity and the comparative numbers for 2019 have been adjusted accordingly. The financial figures for 2019 in this section 10.9 – "Operating and financial review of the Group" – "Financial results for the financial year 2020 compared to the financial year 2019" are the 2019 figures adjusted for discontinuance of the Alm. Brand Bank A/S (now Syd ABB A/S) as presented in the 2020 Consolidated Financial Statements and explained further in the Prospectus.

Certain financial line items in the tables in this section 10.9 are labelled doubled with a slash ("/") between. The label before the slash applies to the number in the first column of the table and the label after the slash applies to the amount in the right column of the table. Differences in presentation relate to whether adjustments are relevant for the particular period and, accordingly, whether the figure is presented in accordance with IFRS or as an APM.

### **10.9.1 Group results**

The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 are set out in the table below. The table is extracted from financial highlights presented in the Management's review in the 2020 Annual Report.

The line items marked with footnote <sup>1)</sup> in the tables below deviate from the corresponding figures in the Group's consolidated financial statements as discussed in more details in Part I, section 4.5 – "Presentation of financial information" – "Key ratios and alternative performance measures" together with information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the Consolidated Financial Statements incorporated by reference into this Prospectus and Part I, section 4.5 – "Presentation of financial information" – "Key ratios and alternative performance measures".

**Table no. 34 – The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019**

	Year ended 31 December	
	2020	2019 <sup>2)</sup>
	(DKKm)	
<b>Adjusted profit/loss</b>		
Non-life insurance (IFRS) / Adjusted non-life insurance (APM) <sup>1)</sup>	880	607
Life insurance (IFRS) / Adjusted life insurance (APM) <sup>1)</sup>	112	96
Adjusted other activities (APM) <sup>1)</sup>	-61	-86
<b>Adjusted Profit/loss before tax, continuing activities excluding special costs (APM)<sup>1)</sup></b>	<b>931</b>	<b>617</b>
Special costs <sup>1)</sup>	-98	-64
<b>Adjusted profit/loss before tax, continuing activities (APM)<sup>1)</sup></b>	<b>833</b>	<b>553</b>
Adjusted tax, continuing activities (APM) <sup>1)</sup>	-190	-113
<b>Adjusted profit/loss after tax, continuing activities (APM)<sup>1)</sup></b>	<b>643</b>	<b>440</b>
Adjusted profit/loss after tax, discontinued activities (APM) <sup>1)</sup>	-27	12
<b>Profit/loss after tax</b>	<b>616</b>	<b>452</b>
Total provisions for insurance contracts	24,698	23,593
Consolidated shareholders' equity	5,167	4,576
Total assets	32,780	41,798
Average no. of employees	1,690	1,796
No. of employees, end of period	1,369	1,904
Adjusted return on equity before tax, continuing activities (APM) (%)	17.1	11.8
Adjusted return on equity before tax (APM) (%) <sup>1)</sup>	18.8	13.7
Adjusted return on equity after tax (APM) (%)	14.1	10.8

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports. The line items marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS. Profit/loss before tax, continuing activities excludes special costs of DKK 98 million in Other activities in 2020 and special costs of DKK 64 million in 2019 that can be attributed to the continuing activities as follows: Non-life Insurance DKK 44 million, life insurance DKK 5 million and Other activities DKK 15 million. Furthermore, eliminations of DKK 23 million in 2020 and DKK 27 million in 2019 have been reversed in the financial highlights' presentation. See more details in Part I, section 4.5 – "Presentation of financial information" – "Key ratios and alternative performance measures".

<sup>2)</sup> The comparative figures for 2019 have been adjusted as a result of the sale of Alm. Brand Bank A/S (now Syd ABB A/S) as presented in the 2020 Consolidated Financial Statements.

#### *Profit/loss before tax*

The Group generated an adjusted profit before tax on continuing activities (APM) of DKK 833 million in 2020, against an adjusted profit before tax of DKK 553 million in 2019. The profit for 2020 included special corporate expenses for restructuring and divestment of Alm. Brand Bank A/S (now Syd ABB A/S) of DKK 98 million (APM). The profit for 2019 included special costs of DKK 64 million (APM) related primarily to restructurings.

#### *Profit/loss after tax, discontinued activities*

The Group posted in 2020 an adjusted loss on discontinued activities (APM) of DKK 27 million after tax. The Company incurred a loss of DKK 106 million in 2020 on the sale of Alm. Brand

Bank A/S (now Syd ABB A/S) as a result of the divestment at 95% of the net asset value and transaction costs related to the sale.

#### *Special costs*

The profit for 2020 included special corporate expenses for restructuring and divestment of the bank of DKK 98 million. The profit for 2019 included special costs of DKK 64 million related primarily to restructurings.

### **10.9.2 Non-life insurance**

#### **Overall**

The non-life insurance segment generated a profit before tax of DKK 880 million in 2020, against an profit before tax of DKK 607 million excluding special costs (APM) in 2019 of DKK 44 million. The 2020 performance was lifted by an improved claims experience driven by a lower level of activity in society during the COVID-19 lockdown as well as by completed profitability-enhancing measures. The profit before tax for 2019 was DKK 563 million including special costs.

The technical result amounted to DKK 815 million in 2020, against adjusted technical result of DKK 570 million in 2019 (APM).

The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for its non-life insurance business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2020 Annual Report.

**Table no. 35 – The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for its non-life insurance business**

	Year ended 31 December	
	2020	2019
	(DKKm)	
Gross premium income	5,471	5,365
Gross claims expenses (IFRS) / Adjusted gross claims expenses (APM) <sup>1)</sup>	-3,537	-3,616
Insurance operating expenses (IFRS) / Adjusted insurance operating expenses (APM) <sup>1)</sup>	-926	-933
Profit/loss on reinsurance <sup>3)</sup>	-193	-246
<b>Technical result (IFRS) / Adjusted technical result (APM)<sup>1)</sup></b>	<b>815</b>	<b>570</b>
Interest and dividends, etc.	123	136
Capital gains and losses	70	44
Administrative expenses related to investment activities	-28	-27
Return on and value adjustment of technical provisions	-100	-116
<b>Investment return after return on and value adjustment of technical provisions</b>	<b>65</b>	<b>37</b>
<b>Profit/loss before tax (IFRS) / Profit/loss before tax excluding special costs (APM)<sup>1)</sup></b>	<b>880</b>	<b>607</b>
Special costs <sup>1)</sup>	0	-44

	Year ended 31 December	
	2020	2019
	(DKKm)	
<b>Profit/loss before tax</b>	<b>880</b>	<b>563</b>
Tax	-198	-127
<b>Profit/loss after tax</b>	<b>682</b>	<b>436</b>
Run-off result, claims	113	77
Run-off result, risk margin (APM)	47	65
Gross claims ratio / Adjusted gross claims ratio (APM) (%) <sup>1)</sup>	64.6	67.4
Net reinsurance ratio (%)	3.6	4.6
<b>Claims experience (APM) / Adjusted claims experience (APM) (%)<sup>1)</sup></b>	<b>68.2</b>	<b>72.0</b>
Gross expense ratio / Adjusted gross expense ratio (APM) (%) <sup>1)</sup>	16.9	17.4
<b>Combined ratio / Adjusted combined ratio (APM) (%)<sup>1)</sup></b>	<b>85.1</b>	<b>89.4</b>
Combined Ratio Excluding Run-off Result (APM) / Adjusted Combined Ratio Excluding Run-off Result (APM) (%) <sup>2)</sup>	87.2	90.8
Combined ratio (%)	85.1	90.2

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items and ratios marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS or are based on items that deviate from the figures in those consolidated financial statements. In 2019 DKK 21 million and DKK 23 million presented in the consolidated financial statements under claim expenses and Insurance operating expenses, respectively, are in financial highlights above presented as Special costs. The claim ratios, expense ratio and combined ratios are adjusted accordingly. Special costs totalling DKK 44 million before tax relate primarily to restructurings. In 2020 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

<sup>2)</sup> Run-off result is calculated excluding share of risk margin.

<sup>3)</sup> Profit/loss on reinsurance is labelled Profit/loss from business ceded in the consolidated financial statements.

### *Gross premium income*

Gross premiums rose by 2.0% to DKK 5,471 million in 2020, an improvement from the 2019 growth rate of 1.7%. However, growth in 2020 was below the expected level, partly due to a lower level of activity in society and partly to a generally more competitive market, which resulted in increased customer outflow. In addition, the Group wanted to retain its focus on profitability and had therefore implemented several profitability measures over the past couple of years.

The COVID-19 Measures also had a negative effect on premium income, among other things because premiums on workers' compensation insurance policies were adjusted in connection with redundancies and because the low level of activity naturally had a negative effect on both sales and total premium income.

For the commercial customer segment, customer loyalty remained at a stable level. For the private customer segment, customer loyalty traced downward, mainly due to profitability-enhancing measures. However, the retention rates for private and commercial customers remained at a high level.



### *Gross claims expenses*

The claims experience (APM) was 68.2%, against adjusted claims experience of 72.0% in 2019. The positive trend in the claims experience should be seen against the backdrop of a general decline in activity during the lockdown of society, with COVID-19 affecting the claims experience favourably by a little more than two percentage points. The claims experience was also lifted by a lower level of expenses for weather-related claims and major claims (single claims or claims events gross above DKK 1 million) as well as by the favourable effects of procurement and claims processing initiatives. Finally, the run-off result affected the claims experience favourably by 2.1 percentage points. Net of the run-off result, the claims experience was 70.3%.

### *Weather-related claims*

No major weather-related events were reported in 2020. Expenses for weather-related claims net of reinsurance were DKK 80 million in 2020, against DKK 140 million in 2019, which was also a mild year in terms of weather-related claims. Weather-related claims affected the combined ratio by 1.5 percentage points in 2020 (2.6 percentage points in 2019).

### *Major claims*

Both the number of major claims (single claims or claims events gross above DKK 1 million) and total expenses for major claims came out slightly better than anticipated in 2020. One major fire claim was reported at a gross expense of DKK 68 million and a net expense of DKK 30 million after reinsurance. Net of reinsurance, major claims expenses totalled DKK 338 million, against DKK 308 million in 2019, with an aggregate effect on the combined ratio of 6.2 percentage points.

### *Underlying business*

The gross claims ratio was 64.6 in 2020, which was markedly better than the adjusted gross claims ratio of 67.4 (APM) reported for 2019 and significantly lower than expected at the beginning of the year. The claims ratio was favourably affected by the temporary lockdown of society, which had a favourable knock-on effect on most insurance products. A lower level of activity and more people working from home meant fewer motor claims and a lower burglary frequency, while travel restrictions had a favourable effect on expenses for travel insurance claims.

### *Run-off result*

Run-off gains on claims net of reinsurance amounted to DKK 113 million, against DKK 77 million in 2019, including an additional provision for workers' compensation liabilities made during the year to counter changes in the processing of industrial injury cases by Labour Market Insurance (Arbejdsmarkedets Erhvervssikring).

### *Insurance operating expenses*

Insurance operating expenses amounted to DKK 926 million in 2020, against adjusted insurance operating expense (APM) of DKK 933 million in 2019, equivalent to an adjusted expense ratio of 16.9 (APM) in 2020. The reduction was driven in particular by the cost-saving measures

taken at the beginning of 2020, which, however, were partly offset by general wage developments, investments in automation and the new partnerships as well as by compensation provided to insurance agents in the first months of the COVID-19 lockdown when the sales situation was under pressure.

Including special costs, insurance operating expenses amounted to DKK 956 million in 2019.

#### *Combined ratio*

The combined ratio was 85.1 in 2020, being favourably affected by fewer expenses for both weather-related and major claims (single claims or claims events gross above DKK 1 million) as well as by lower claims frequency level during the temporary lockdown of society. Excluding run-off gains on claims provisions, the combined ratio was 87.2.

The underlying combined ratio (APM) was 79.1 in 2020, marking a 3.5 percentage point improvement relative to 2019. The trend in the combined ratio and the underlying combined ratio should be seen against an estimated positive effect of COVID-19 of by a little more than two percentage points.

**Table no. 36 – Underlying combined ratio (APM) for 2020 compared to 2019 for the Group's non-life insurance business**

	Year ended 31 December	
	2020	2019
Combined Ratio, Underlying Business (APM) <sup>1)</sup>	79.1	82.6
Weather-related claims, net of reinsurance (APM)	1.5	2.6
Major claims, net of reinsurance (APM)	6.2	5.7
Run-off result, claims	-2.1	-1.4
Change in risk margin, run-off result and current year (APM)	0.4	-0.1
<b>Combined ratio / Adjusted combined ratio (APM)<sup>1)</sup></b>	<b>85.1</b>	<b>89.4</b>

<sup>1)</sup> 2019 is exclusive of special costs in a total amount of DKK 44 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio.

#### *Investments*

Financial markets overall developed favourably in 2020, with the non-life insurance business reporting an investment return of DKK 65 million against DKK 37 million in 2019.

The investment result in 2020 was favourably affected by a strategic increase of the exposure to shares and credit bonds from and including Q2 2020.

The low interest rate levels and the large re-mortgaging rounds detracted from the return, whereas the bond portfolio investments were favourably affected by the interest rate declines in 2020.

The global equity markets developed favourably in 2020 and thus made a positive contribution to the performance.

## Private

The technical result amounted to a profit of DKK 507 million in 2020, against adjusted technical result of DKK 346 million (APM) in 2019.

The profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for the Group's non-life insurance private business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2020 Annual Report.

**Table no. 37 – The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for its non-life insurance business, private customer segment**

	Year ended 31 December	
	2020	2019
	(DKK m)	
Gross premium income	2,761	2,695
Claims expenses (IFRS) / Adjusted gross claims expenses (APM) <sup>1)</sup>	-1,692	-1,774
Insurance operating expenses (IFRS) / Adjusted insurance operating expenses (APM) <sup>1)</sup>	-506	-516
Profit/loss on reinsurance	-56	-59
<b>Technical result (IFRS) / Adjusted technical result (APM)<sup>1)</sup></b>	<b>507</b>	<b>346</b>
Run-off result, claims	118	91
Run-off result, risk margin (APM)	23	26
Gross claims ratio / Adjusted gross claims ratio (APM) (%) <sup>1)</sup>	61.3	65.8
Net reinsurance ratio (%)	2.0	2.2
<b>Claims experience (APM) / Adjusted claims experience (APM) (%)<sup>1)</sup></b>	<b>63.3</b>	<b>68.0</b>
Gross expense ratio / Adjusted gross expense ratio (APM) (%) <sup>1)</sup>	18.3	19.2
<b>Combined ratio / Adjusted combined Ratio (APM) (%)<sup>1)</sup></b>	<b>81.6</b>	<b>87.2</b>

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items and ratios marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS or are based on items that deviate from the figures in those consolidated financial statements. In 2019 DKK 10 million and DKK 11 million presented in the consolidated financial statements under Claim expenses and Insurance operating expenses, respectively, are in financial highlights above excluded as they are considered Special costs. The Claims ratios, expense ratio and combined ratio are adjusted accordingly, equivalent to an impact of 0.8 of a percentage point on the combined ratio. Special costs totalling DKK 21 million before tax relate primarily to restructurings. In 2020 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

### *Gross premium income*

Premium income was up by 2.5% to DKK 2,761 million. The profitability-enhancing measures in the private customer segment continued in 2020 with price adjustments for a number of pri-

vate customers whose risk was not correctly reflected in the price. As a result, customer retention fell slightly in 2020, although the retention rate remained at a high level. During some periods in 2020, sales fell short of the expected level, which to a certain extent was due to the lower level of activity in society caused by COVID-19. In addition, competition was fierce for some specific insurance products, for instance motor insurance, which in 2020 also had a negative knock-on effect on other insurance products, as customers typically prefer to have all their insurance policies with one insurance company. In response to this, the Group at the end of 2020 made a number of price adjustments across the motor insurance product segments to ensure a continued competitive value proposition.

#### *Gross claims expenses*

The claims experience (APM) was 63.3%, marking an improvement from adjusted claims experience (APM) 68,0% in 2019. Run-off result was 4.3 percentage point in 2020 against 3.4 percentage points in 2019.

Net of reinsurance, expenses for weather-related claims amounted to DKK 30 million in 2020, against DKK 43 million in 2019. Despite heavy rainfall at the beginning of the year, four windstorms and a number of small cloudbursts in summer, weather conditions were generally favourable, causing the expense level to come out below the level expected at the beginning of the year. Weather-related claims affected the combined ratio by 1.1 percentage points in 2020, against 1.6 percentage points in 2019.

Expenses for major claims (single claims or claims events gross above DKK 1 million) totalled DKK 58 million net of reinsurance, which was also less than expected, affecting the combined ratio by 2.1 percentage points. Expenses were on a par with 2019, when major claims expenses also affected the combined ratio by 2.1 percentage points.

The underlying claims ratio (APM) was DKK 64.3 in 2020, which was less than anticipated. The claims ratio generally fell in several lines, largely as a result of the temporary lockdown of society due to COVID-19. Contents, motor, and travel insurance are the products that are the most affected by COVID-19, with comprehensive motor, travel and contents insurance seeing a drop in claims ratios. Moreover, a number of claims-preventing measures were initiated in 2020, which also had a favourable effect on claims ratios in the private customer segment.

#### *Run-off result*

The run-off result on claims net of reinsurance was a gain of DKK 118 million, against DKK 91 million in 2019, mainly driven by a positive result on motor and personal accident insurance.

#### *Insurance operating expenses*

Insurance operating expenses amounted to DKK 506 million in 2020, against adjusted insurance operating expenses (APM) of DKK 516 million (APM) in 2019, equivalent to an expense ratio of 18.3 in 2020.

### *Combined ratio*

The combined ratio was 81.6 in 2020, which was satisfactory and significantly better than expectations. The improvement was driven by lower expenses for both major claims (single claims or claims events gross above DKK 1 million) and weather-related claims and a favourable claims experience on minor claims due to the lower level of activity in society caused by COVID-19. The run-off result also contributed favourably to the result.

The change in the overall risk margin reduced the full-year performance by DKK 4 million, equivalent to an effect on the combined ratio of 0.1 of a percentage point.

**Table no. 38 – Underlying combined ratio (APM) for 2020 compared to 2019 for the Group's non-life insurance business, private customer segment**

	Year ended 31 December	
	2020	2019
Combined Ratio, Underlying Business (APM)	82.6	87.0
Weather-related claims, net of reinsurance (APM)	1.1	1.6
Major claims, net of reinsurance (APM)	2.1	2.1
Run-off result, claims	-4.3	-3.4
Change in risk margin, run-off result and current year (APM)	0.1	-0.1
<b>Combined ratio / Adjusted combined ratio (APM)</b>	<b>81.6</b>	<b>87.2</b>

### **Commercial**

The technical result amounted to a profit of DKK 308 million in 2020, against an adjusted technical result of DKK 224 million in 2019.

The profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for the Group's non-life insurance commercial customer segment business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2020 Annual Report.

**Table no. 39 – The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for its non-life insurance business, commercial customer segment**

	Year ended 31 December	
	2020	2019
	(DKKm)	
Gross premium income	2,710	2,670
Claims expenses (IFRS) / Adjusted gross claims expenses (APM) <sup>1)</sup>	-1,845	-1,842
Insurance operating expenses (IFRS) / Adjusted insurance operating expenses (APM) <sup>1)</sup>	-420	-417
Profit/loss on reinsurance	-137	-187
<b>Technical result (IFRS) / Adjusted technical result (APM)<sup>1)</sup></b>	<b>308</b>	<b>224</b>
Run-off result, claims	-5	-14
Run-off result, risk margin (APM)	23	39
Gross claims ratio / Adjusted gross claims ratio (APM) (%) <sup>1)</sup>	68.1	69.0
Net reinsurance ratio (%)	5.0	7.0
<b>Claims experience (APM) / Adjusted claims experience (APM) (%)<sup>1)</sup></b>	<b>73.1</b>	<b>76.0</b>
Gross expense ratio / Adjusted gross expense ratio (APM) (%) <sup>1)</sup>	15.5	15.6
<b>Combined ratio / Adjusted combined Ratio (APM) (%)<sup>1)</sup></b>	<b>88.6</b>	<b>91.6</b>

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items and ratios marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS or are based on items that deviate from the figures in those consolidated financial statements. In 2019 DKK 11 million and DKK 12 million presented in the consolidated financial statements under Claim expenses and Insurance operating expenses, respectively, are in financial highlights above excluded as they are considered Special costs. The Claims ratios, Expense ratio and Combined ratio are adjusted accordingly, equivalent to an impact of 0.9 of a percentage point on the combined ratio. Special costs totalling DKK 23 million before tax relate primarily to restructurings. In 2020 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

#### *Gross premium income*

Gross premium income was up by 1.5% to DKK 2,710 million, which was below the level expected at the beginning of the year. Competition from Danish players in the commercial customer market was generally fierce. Moreover, premiums on workers' compensation insurance, among other things, were adjusted in connection with redundancies as a result of the lockdown of society, just as the lower level of activity in society had a direct effect on sales to new commercial customers in particular.

The customer retention rate remained at a stable, high level.

### *Gross claims expenses*

The claims experience (APM) was 72.9%, against an adjusted claims experience (APM) of 76.0% (APM) in 2019.

Net of reinsurance, expenses for weather-related claims amounted to DKK 50 million, which was DKK 46 million less than in 2019 and less than expected at the beginning of the year. The expense level was lower because the summer cloudbursts and the windstorms in 2020 did not result in any major claims (single claims or claims events gross above DKK 1 million). Weather-related claims affected the combined ratio by 1.9 percentage points in 2020, against 3.6 percentage points in 2019.

Expenses for major claims (single claims or claims events gross above DKK 1 million) were DKK 280 million net of reinsurance, affecting the combined ratio by 10.3 percentage points, which was more than in 2019. In 2019, expenses for major claims were DKK 251 million net of reinsurance and affected the combined ratio by 9.4 percentage points.

The underlying claims ratio (APM) was 60.1 in 2020, which was an improvement from 62.1% in 2019. The lower level of activity in society due to the COVID-19-related lockdown was the main reason why the claims frequency was lower than expected.

In both 2019 and 2020, measures were taken that had a positive effect on the claim's ratio, including measures to lift profitability on building insurances in the residential customer segment and on motor insurance and workers' compensation insurance. In 2020, the claims ratio was adversely affected by higher expenses for workers' compensation claims due to changes in the processing of cases by Labour Market Insurance (*Arbejdsmarkedets Erhvervssikring*).

### *Run-off result*

The run-off result on claims net of reinsurance amounted to a loss of DKK 5 million, against a loss of DKK 14 million in 2019. During the year, additional provisions for workers' compensation liabilities were made.

### *Insurance operating expenses*

Insurance operating expenses amounted to DKK 420 million in 2020, against adjusted insurance operating expenses of DKK 417 million (APM) in 2019, equivalent to an expense ratio of 15.5 in 2020.

### *Combined ratio*

The combined ratio in 2020 was 88.6, which was an improvement relative to expectations and 3.0 percentage points better than the adjusted combined ratio (APM) in 2019. The result was favourably affected by fewer minor claims due to the lower level of activity in society caused by COVID-19, but also by a favourable claims experience on both weather-related and major claims (single claims or claims events gross above DKK 1 million).

**Table no. 40 – Underlying combined ratio (APM) for 2020 compared to 2019 for the Group's non-life insurance business, commercial customer segment**

	Year ended 31 December	
	2020	2019
Combined Ratio, Underlying Business (APM)	75.6	78.3
Weather-related claims, net of reinsurance (APM)	1.9	3.6
Major claims, net of reinsurance (APM)	10.3	9.4
Run-off result, claims	0.2	0.5
Change in risk margin, run-off result and current year (APM)	0.6	-0.2
<b>Combined ratio / Adjusted combined ratio (APM)</b>	<b>88.6</b>	<b>91.6</b>

### 10.9.3 Life insurance

The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for its life insurance business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2020 Annual Report.

**Table no. 41 – The Group's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for its life insurance business**

	Year ended 31 December	
	2020	2019
	(DKKm)	
Regular premiums	819	803
Single payments	685	1,047
Premiums	1,504	1,850
Investment return after allocation of interest	799	1,131
Benefits paid	-1,354	-1,034
Insurance operating expenses / Adjusted insurance operating expenses (APM) <sup>1)</sup>	-107	-101
Profit/loss on reinsurance	-3	-4
Change in life insurance provisions	-702	-1,813
Change in profit margin	-26	70
<b>Technical result (IFRS) / Adjusted technical result (APM)<sup>1)</sup></b>	<b>111</b>	<b>99</b>
Return on investment allocated to equity	1	-3
<b>Profit/loss before tax (IFRS) / Profit/loss before tax excluding special costs (APM)<sup>1)</sup></b>	<b>112</b>	<b>96</b>
Special costs (related primarily to restructurings) <sup>1)</sup>	0	-5
<b>Profit/loss before tax</b>	<b>112</b>	<b>91</b>
Tax	-25	-9
<b>Profit/loss after tax</b>	<b>87</b>	<b>82</b>

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS. In 2019 DKK 5 million presented in the consolidated financial statements under Insurance operating expenses are in financial highlights above presented



as Special costs. Special costs totalling DKK 5 million before tax relate primarily to restructurings. In 2020 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

### *Premiums*

Total premiums amounted to DKK 1,504 million in 2020, against DKK 1,850 million in 2019, due to modest growth in regular premiums of 2% and a decline in single payments.

The reason for the decline in single payments was among other things a combination of restraint due to uncertainty triggered by COVID-19 and a lower rate on policyholders' savings in 2020 than in 2019. The latter resulted in more customers opting for the Group's market rate product, which is offered through Sydbank A/S.

The commercial customer segment remained the Group's primary growth driver for regular premium payments. Growth in the commercial customer segment was driven by several strategic initiatives that have supported developments, including adjusted pricing of selected products in order to strengthen competitiveness.

### *Benefits paid*

Total benefits paid amounted to DKK 1,354 million in 2020, against DKK 1,034 million in 2019. The higher amount of benefits paid in 2020 was in line with expectations, in light of the lower rate on policyholders' savings in 2020 and because some of the employees made redundant, as a result of the changes made in the Group at the beginning of 2020, subsequently transferred their scheme and savings to their new employer.

### *Insurance operating expenses*

Insurance operating expenses totalled DKK 107 million in 2020, against adjusted insurance operating expenses of DKK 101 million excluding special costs (APM) in 2019. The higher amount was attributable to an increase in acquisition costs, among other things due to a change in the allocation of group expenses between the individual business areas.

### *Profit/loss before tax excluding special costs*

The Group's life insurance business generated a profit before tax of DKK 112 million in 2020, against a profit before tax of DKK 96 million excluding special costs of DKK 5 million (APM) in 2019. The profit for the year reflected a positive expense result, an increase in the company's profit from pension savings under management and a positive return on assets allocated to equity.

The bonus rate was 15.2% as of 31 December 2020, which was a decline of 0.9%-points compared to the prior year-of a percentage point relative to the year-earlier date. The bonus rate remained satisfactory considering the very low interest rate environment. For 2021, the rate on policyholders' savings has been fixed at 3% for new customers.

*Return requirement for shareholders' equity, life Insurance*

**Table no. 42 – Return requirement for the Group's shareholders' equity, life insurance, for 2020 compared to 2019**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>(DKKm)</b>	
Return on investments allocated to equity	1	-3
Result of portfolios without bonus entitlement	2	5
Interest result	47	29
Expense result	7	4
Risk result	46	44
Group life	9	12
<b>Profit/loss for the year before tax</b>	<b>112</b>	<b>91</b>

The Danish Executive Order on the contribution principle issued by the Danish FSA on 11 December 2017 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 2020 has been determined as follows:

- Interest rate group: 0.3% 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 based on 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.

#### **10.9.4 Other activities**

Other activities, consisting primarily of corporate expenses, performed in line with expectations, reporting a loss before tax of DKK 61 million excluding special costs of DKK 98 million (APM). In 2019, other activities reported a loss before tax of DKK 86 million excluding special costs of

DKK 15 million (APM) but including expensed severance payments in connection with the departure of the former CEO.

#### **10.9.5 Discontinued activities**

Alm. Brand Bank A/S' (now Syd ABB A/S) generated a profit before tax of DKK 97 million in the period until the sale on 30 November 2020 against a profit before tax of DKK 67 million excluding special costs of DKK 51 million in 2019 (APM). The performance was satisfactory and in line with expectations. Profit after tax was DKK 79 million.

The result for the bank was supported by higher net interest and fee income and lower costs as a result of the income and cost initiatives implemented earlier in the year.

As a result of the divestment at 95% of the net asset value and transaction costs related to the sale, a loss of DKK 106 million was recognised in connection with the sale of the bank, resulting in an adjusted loss on discontinued activities (APM) of DKK 27 million.

#### **10.9.6 Further information**

For further information about the financial results for the Group for the financial year ended 31 December 2020 compared to the financial year ended 31 December 2019, please see Part I, section 10.9 – "Operating and financial review of the Group" – "Financial results for the financial year 2020 compared to the financial year 2019".

#### **10.10 Financial results for the financial year 2019 compared to the financial year 2018**

In November 2020 the Group's sold Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S, thus in in the 2020 Consolidated Financial Statements with comparative numbers for 2019 Alm. Brand Bank A/S (now Syd ABB A/S) is presented as a discontinued activity, which is not the case for the 2019 Consolidated Financial Statements and the 2018 Consolidated Financial Statements. The financial figures for 2019 in this section 10.10 – "Operating and financial review of the Group" – "Financial results for the financial year 2019 compared to the financial year 2018" are presented as in the Group's 2019 Consolidated Financial Statements and explained further in the Prospectus, i.e. Alm. Brand Bank A/S (now Syd ABB A/S) is not presented as discontinued operation in this section.

Certain financial line items in the tables in this section 10.10 are labelled doubled with a slash ("/") between. The label before the slash applies to the number in the first column of the table and the label after the slash applies to the amount in the right column of the table. Differences in presentation relate to whether adjustments are relevant for the particular period and, accordingly, whether the figure is presented in accordance with IFRS or as an APM.

##### **10.10.1 Group results**

The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 are set out in the table below.

The line items marked with a footnote in the tables below deviate from the corresponding figures in the Group's consolidated financial statements as discussed in more detail in Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures" and for information on reconciling the consolidated income statements and the financial highlights presentation.

The information below should be read together with the Consolidated Financial Statements incorporated by reference into this Prospectus and Part I, section 4.5 – "Presentation of financial information" – "Key ratios and alternative performance measures".

In the 2020 Consolidated Financial Statements with comparative numbers for 2019 Alm. Brand Bank A/S (now Syd ABB A/S) is presented as a discontinued activity due to the sale of the bank to Sydbank A/S in November 2020, which is not the case for the Group's consolidated financial statements for 2019 and 2018 and the figures presented below.

**Table no. 43 – The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(DKK m)</b>	
<b>Adjusted profit/loss</b>		
Adjusted non-life insurance (APM) / Non-life insurance (IFRS) <sup>1)</sup>	607	652
Adjusted life insurance (APM) / Life insurance (IFRS) <sup>1)</sup>	96	104
Adjusted banking <sup>1)</sup>	67	26
Adjusted other activities (APM) / Other activities (IFRS) <sup>1)</sup>	-86	-58
<b>Profit/loss before tax excluding special costs (APM) / Adjusted profit/loss before tax (APM)<sup>1)</sup></b>	<b>684</b>	<b>724</b>
Special costs <sup>1)</sup>	-115	0
<b>Profit/loss before tax (IFRS) / Adjusted profit/loss before tax (APM)</b>	<b>569</b>	<b>724</b>
Tax (IFRS) / Adjusted tax (APM) <sup>1)</sup>	-117	-155
<b>Profit/loss after tax</b>	<b>452</b>	<b>569</b>
Total provisions for insurance contracts	23,593	21,626
Consolidated shareholders' equity	5,807	4,748
Total assets	41,798	39,025
Average no. of employees	1,796	1,770
Adjusted return on equity before tax (APM) (%) <sup>1)</sup> <sup>2)</sup>	14.8	15.2
Adjusted return on equity after tax (APM) / Return on equity after tax (%) <sup>1)</sup>	11.7	12.0

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports. The line items marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS. Profit/loss before tax excludes special costs of DKK 115 million in 2019 that can be attributed to the continuing activities as follows: Non-life Insurance DKK 44 million, life insurance DKK 5 million, Banking DKK 51 million, and Other activities DKK 15 million. In 2018 profit/loss before tax in Banking has been impacted by an increase of goodwill (gain from bargain purchase) of DKK 49 million that were recorded against the income tax line, i.e., a corresponding increase in income tax expense. The adjustment relates to reversal of deferred tax on customer relationship recognized in a business combination.

<sup>2)</sup> The calculation of return on equity before tax for 2018 takes into account reversal of deferred tax of DKK 49 million from an intangible asset (customer relationships).

#### *Profit/loss before tax excluding special costs*

The Group generated a profit before tax excluding special costs (APM) of DKK 684 million in 2019 as compared with an adjusted profit/loss before tax (APM) DKK 724 million profit before tax in 2018.

#### *Special costs*

The 2019 profit comprised special 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 write-down of the capitalised share of the Bankdata capital market programme. Including these items, the profit before tax was DKK 569 million.

### **10.10.2 Non-life insurance**

#### **Overall**

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.

Non-life Insurance generated a profit before tax excluding special costs (APM) of DKK 607 million in 2019. Relative to the profit before tax 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 adjusted technical result (APM) amounted to a profit of DKK 570 million in 2019, against technical result of DKK 685 million in 2018.

The total profit for 2019 also comprises special costs of DKK 44 million in total, bringing the profit before tax to DKK 563 million.

The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for its non-life insurance business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2019 Annual Report.

**Table no. 44 – The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for its non-life insurance business**

	Year ended 31 December	
	2019	2018
	(DKKm)	
Gross premium income	5,365	5,274
Adjusted gross claims expenses (APM) / Gross claims expenses (IFRS) <sup>1)</sup>	-3,616	-3,436
Adjusted insurance operating expenses (APM) / Insurance operating expenses (IFRS) <sup>1)</sup>	-933	-908
Profit/loss on reinsurance <sup>3)</sup>	-246	-245
<b>Adjusted technical result (APM) / Technical result (IFRS)<sup>1)</sup></b>	<b>570</b>	<b>685</b>
Interest and dividends, etc.	136	146
Capital gains and losses	44	-155
Administrative expenses related to investment activities	-27	-27
Return on and value adjustment of technical provisions	-116	3
<b>Investment return after return on and value adjustment of technical provisions</b>	<b>37</b>	<b>-33</b>
<b>Profit/loss before tax excluding special costs (APM) / Profit/loss before tax (IFRS)<sup>1)</sup></b>	<b>607</b>	<b>652</b>
Special costs <sup>1)</sup>	-44	0
<b>Profit/loss before tax</b>	<b>563</b>	<b>652</b>
Tax	-127	-139
<b>Profit/loss after tax</b>	<b>436</b>	<b>513</b>
Run-off result, claims	77	196
Run-off result, risk margin (APM)	65	72
Adjusted gross claims ratio (APM) / Gross claims ratio (%) <sup>1)</sup>	67.4	65.2
Net reinsurance ratio (%)	4.6	4.6
<b>Adjusted claims experience (APM) / Claims experience (APM) (%)<sup>1)</sup></b>	<b>72.0</b>	<b>69.8</b>
Adjusted gross expense ratio (APM) / Gross expense ratio (%) <sup>1)</sup>	17.4	17.2
<b>Adjusted combined ratio (APM) / Combined ratio (%)<sup>1)</sup></b>	<b>89.4</b>	<b>87.0</b>
Adjusted Combined Ratio Excluding Run-off Result (APM) / Combined Ratio Excluding Run-off Result (APM) (%) <sup>1)2)</sup>	90.8	90.7
Combined ratio (%)	90.2	87.0

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items and ratios marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS or are based on items that deviate from the figures in those consolidated financial statements. In 2019 DKK 21 million and DKK 23 million presented in the consolidated financial statements under Claim expenses and Insurance operating expenses, respectively, are in financial highlights above presented as Special costs. The Claim ratios, expense ratio and combined ratios are adjusted accordingly. Special costs totalling DKK 44 million before tax relate primarily to restructurings. In 2018 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

<sup>2)</sup> Run-off result is calculated excluding share of risk margin.

<sup>3)</sup> Profit/loss on reinsurance is labelled Profit/loss from business ceded in the consolidated financial statements.

### *Gross premium income*

Gross premiums increased by 1.7% to DKK 5,365 million in 2019. The weaker than expected 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 remained in 2019 high in both commercial and private lines. The retention rate was impacted by the profitability-enhancing measures implemented in 2019.

### *Gross claims expenses*

The adjusted claims experience (APM) was 72.0% in 2019, against claims experience (APM) of 69.8% in 2018. The increase in the claims experience should be considered 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 in 2019, against 3.7 percentage points in 2018. The 2019 claims experience was favourably affected by fewer expenses for weather-related and major claims (single claims or claims events gross above DKK 1 million), but adversely affected by the run-off result, especially in Q4 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*

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 (single claims or claims events gross above DKK 1 million) expenses totalled DKK 308 million in 2019, against DKK 383 million in 2018, having a combined effect on the combined ratio of 5.7 percentage points in 2019.

### *Underlying business*

The underlying claims ratio (APM) was 65.2 in 2019, which was in line with 2018. 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 pipework claims. Including special costs, the underlying claims ratio (APM) 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. The result reflected a lower level of run-off gains in 2019 following recent years' recalibration of the provisioning models, but also to a significant extent adverse effect 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 resulted in increased average claims. 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 several adjustments of previously reported personal injury claims on motor liability insurance.

### *Insurance operating expenses*

Adjusted insurance operating expenses (APM) totalled DKK 933 million in 2019, against insurance operating expenses of DKK 908 million in 2018, equivalent to an adjusted expense ratio (APM) of 17.4 in 2019. Including special costs, insurance operating expenses amounted to DKK 956 million in 2019.

### *Investments*

The investment return after technical interest in 2019 was a profit of DKK 37 million, against a loss of DKK 33 million in 2018. A change in the calculation of the VA premium at the beginning of 2019 resulted in an extraordinary expense of about DKK 25 million.

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

The return on the global equity market was positive in 2019 and contribute favourably to the performance.

### *Combined ratio*

Excluding special costs, the adjusted combined ratio (APM) was 89.4% in 2019, against a combined ratio of 87.0% in 2018, composed of an adjusted claims experience (APM) of 72.0% and adjusted gross expense ratio (APM) of 17.4%. The adjusted combined ratio was favourably affected by a general improvement of the underlying business and an overall positive major claims (single claims or claims events gross above DKK 1 million) 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.

The underlying combined ratio (APM) was 82.6 in 2019. Adjusted for interest rate developments, the combined ratio was 81.2 and consequently better than the year before.



**Table no. 45 – Underlying combined ratio (APM) for 2019 compared to 2018 for the Group's non-life insurance business**

	Year ended 31 December	
	2019	2018
Combined Ratio, Underlying Business (APM) <sup>1)</sup>	82.6	82.4
Weather-related claims, net of reinsurance (APM)	2.6	1.2
Major claims, net of reinsurance (APM)	5.7	7.3
Run-off result, claims	-1.4	-3.7
Change in risk margin, run-off result and current year (APM)	-0.1	-0.2
<b>Adjusted combined ratio (APM) / Combined ratio<sup>1)</sup></b>	<b>89.4</b>	<b>87.0</b>

<sup>1)</sup> 2019 is excluding special costs in a total amount of DKK 44 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio.

### Private

The adjusted technical result (APM) was a profit of DKK 346 million in 2019, against DKK 334 million in 2018. Including special costs, the technical result was a profit of DKK 325 million in 2019.

The profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for the Group's non-life insurance private business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2019 Annual Report.

**Table no. 46 – The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for its non-life insurance business, private customer segment**

	Year ended 31 December	
	2019	2018
	(DKKm)	
Gross premium income	2,695	2,670
Adjusted gross claims expenses (APM) / Claims expenses (IFRS) <sup>1)</sup>	-1,774	-1,771
Adjusted insurance operating expenses (APM) / Insurance operating expenses (IFRS) <sup>1)</sup>	-516	-514
Profit/loss on reinsurance	-59	-51
<b>Adjusted technical result (APM) / Technical result (IFRS)<sup>1)</sup></b>	<b>346</b>	<b>334</b>
Run-off result, claims	91	95
Run-off result, risk margin (APM)	26	30
Adjusted gross claims ratio (APM) / Gross claims ratio (%) <sup>1)</sup>	65.8	66.3
Net reinsurance ratio (%)	2.2	1.9
<b>Adjusted claims experience (APM) / Claims experience (APM) (%)<sup>1)</sup></b>	<b>68.0</b>	<b>68.2</b>
Adjusted gross expense ratio (APM) / Gross expense ratio (%) <sup>1)</sup>	19.2	19.3
<b>Adjusted combined ratio (APM) / Combined ratio (%)<sup>1)</sup></b>	<b>87.2</b>	<b>87.5</b>

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items and ratios marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS or are based on items that deviate from the figures in those consolidated financial statements. In 2019 DKK 10 million and DKK 11 million presented in the consolidated financial statements under Claim expenses and Insurance operating expenses, respectively, are in financial highlights above excluded as they are considered Special costs. The Claims ratios, expense ratio and combined ratio are adjusted accordingly, equivalent to an impact of 0.8 of a percentage point on the combined ratio. Special costs totalling DKK 21 million before tax relate primarily to restructurings. In 2018 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

### *Gross premium income*

Premium income was up by 0.9% to DKK 2,695 million, which was below the level expected for the year. 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 retention rate remains at a satisfactory high level. Competition in the private customer market remained fierce, especially in motor insurance lines, which has a rub-off effect on other lines as customers normally prefer to pool all their insurance business with one provider.

### *Gross claims expenses*

The adjusted claims experience (APM) was 68.0%, marking an improvement relative to 2018.

Net of reinsurance, total weather-related claims amounted to DKK 43 million, against DKK 21 million in 2018. Despite 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 (single claims or claims events gross above DKK 1 million) 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 (APM) 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 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.

### *Run-off result*

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.

### *Insurance operating expenses*

Adjusted insurance operating expenses (APM) totalled DKK 516 million in 2019, against insurance operating expenses of DKK 514 million in 2018, equivalent to an adjusted gross expense ratio (APM) of 19.2 in 2019. Including special costs, insurance operating expenses amounted to DKK 527 million in 2019.

### *Combined ratio*

The adjusted combined ratio (APM) was 87.2 in 2019, which was satisfactory and better than expected, supported by a lower level of expenses for weather-related and major claims (single claims or claims events gross above DKK 1 million).

**Table no. 47 – Underlying combined ratio (APM) for 2019 compared to 2018 for the Group's non-life insurance business, private customer segment**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Combined Ratio, Underlying Business (APM)	87.0	87.5
Weather-related claims, net of reinsurance (APM)	1.6	0.8
Major claims, net of reinsurance (APM)	2.1	2.9
Run-off result, claims	-3.4	-3.5
Change in risk margin, run-off result and current year (APM)	-0.1	-0.2
<b>Adjusted combined ratio (APM) / Combined ratio<sup>1)</sup></b>	<b>87.2</b>	<b>87.5</b>

<sup>1)</sup> 2019 is excluding special costs in an amount of DKK 21 million, equivalent to an impact of 0.8 of a percentage point on the combined ratio.

### **Commercial**

The adjusted technical result (APM) was a profit of DKK 224 million in 2019, against technical result of DKK 351 million in 2018. Including special costs, the technical result was a profit of DKK 201 million.

The profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for the Group's non-life commercial customer segment business are set out in the table below. The table is extracted from financial highlights presented in the management's review in the 2019 Annual Report.

**Table no. 48 – The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for its non-life insurance business, commercial customer segment**

	Year ended 31 December	
	2019	2018
	(DKKm)	
Gross premium income	2,670	2,604
Adjusted gross claims expenses (APM) / Claims expenses (IFRS) <sup>1)</sup>	-1,842	-1,665
Adjusted insurance operating expenses (APM) / Insurance operating expenses (IFRS) <sup>1)</sup>	-417	-394
Profit/loss on reinsurance	-187	-194
<b>Adjusted technical result (APM) / Technical result (IFRS)<sup>1)</sup></b>	<b>224</b>	<b>351</b>
Run-off result, claims	-14	101
Run-off result, risk margin (APM)	39	42
Adjusted gross claims ratio (APM) / Gross claims ratio (%) <sup>1)</sup>	69.0	64.0
Net reinsurance ratio (%)	7.0	7,4
<b>Adjusted claims experience (APM) / Claims experience (APM) (%)<sup>1)</sup></b>	<b>76.0</b>	<b>71.4</b>
Adjusted gross expense ratio (APM) / Gross expense ratio (%) <sup>1)</sup>	15.6	15.1
<b>Adjusted combined ratio (APM) / Combined ratio (%)<sup>1)</sup></b>	<b>91.6</b>	<b>86.5</b>

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items and ratios marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS or are based on items that deviate from the figures in those consolidated financial statements. In 2019 DKK 11 million and DKK 12 million presented in the consolidated financial statements under Claim expenses and Insurance operating expenses, respectively, are in financial highlights above excluded as they are considered Special costs. The Claims ratios, Expense ratio and Combined ratio are adjusted accordingly, equivalent to an impact of 0.9 of a percentage point on the combined ratio. Special costs totalling DKK 23 million before tax relate primarily to restructurings. In 2018 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

#### *Gross premium income*

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 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.

### *Gross claims expenses*

The adjusted claims experience (APM) was 76.0% in 2019, against claims experience (APM) of 71.4% 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 (single claims or claims events gross above DKK 1 million) 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 (APM) was 62.1 in 2019, which was slightly better than expected and on a par with 2018. In 2019, the Group continued to grow in lines which are less prone to the risk of weather-related and major claims (single claims or claims events gross above DKK 1 million) and for which the Group therefore accepts an above-average underlying claims ratio for the portfolio. However, in some parts of the portfolio profitability was still not satisfactory, and the Group therefore in 2019 tightened the terms for commercial customers on selected building insurances in the residential customer segment by introducing higher premiums and higher deductibles. 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 in particular.

### *Run-off result*

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.

### *Insurance operating expenses*

Adjusted insurance operating expenses (APM) totalled DKK 417 million in 2019, against insurance operating expenses of DKK 394 million in 2018, equivalent to an adjusted expense ratio (APM) of 15.6 in 2019. Including special costs, insurance operating expenses amounted to DKK 429 million in 2019.

### *Combined ratio*

The adjusted combined ratio (APM) was 91.6 in 2019, 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.

**Table no. 49 – Underlying combined ratio (APM) for 2019 compared to 2018 for the Group's non-life insurance business, commercial customer segment**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
Combined Ratio, Underlying Business (APM)	78.3	77.5
Weather-related claims, net of reinsurance (APM)	3.6	1.5
Major claims, net of reinsurance (APM)	9.4	11.7
Run-off result, claims	0.5	-3.9
Change in risk margin, run-off result and current year (APM)	-0.2	-0.3
<b>Adjusted combined ratio (APM) / Combined ratio<sup>1)</sup></b>	<b>91.6</b>	<b>86.5</b>

<sup>1)</sup> Special costs in a total amount of DKK 23 million is excluded, equivalent to an impact of 0.9 of a percentage point on the combined ratio.

### **10.10.3 Life insurance**

The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for its life insurance business are set out in the table below.

**Table no. 50 – The Group's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for its life insurance business**

	Year ended 31 December	
	2019	2018
	(DKKm)	
Regular premiums	803	766
Single payments	1,047	1,238
Premiums	1,850	2,004
Investment return after allocation of interest	1,131	-41
Benefits paid	-1,034	-1,030
Adjusted insurance operating expenses (APM) / Insurance operating expenses (IFRS) <sup>1)</sup>	-101	-99
Profit/loss on reinsurance	-4	-4
Change in life insurance provisions	-1,813	-687
Change in profit margin	70	-35
<b>Adjusted technical result (APM) / Technical result (IFRS)<sup>1)</sup></b>	<b>99</b>	<b>108</b>
Return on investment allocated to equity	-3	-4
<b>Profit/loss before tax excluding special costs (APM) / Profit/loss before tax (IFRS)<sup>1)</sup></b>	<b>96</b>	<b>104</b>
Special costs	-5	0
<b>Profit/loss before tax</b>	<b>91</b>	<b>104</b>
Tax	-9	-25
<b>Profit/loss after tax</b>	<b>82</b>	<b>79</b>

<sup>1)</sup> The table above is based on the financial highlights presentation (APM) used by the Group when presenting such information in the management's review in its annual reports, see Part I, section 4.5 – "Presentation of Financial Information" – "Key ratios and alternative performance measures". The line items marked with footnote <sup>1)</sup> deviate from the corresponding figures in the consolidated financial statements prepared under IFRS. In 2019 DKK 5 million presented in the consolidated financial statements under Insurance operating expenses are in financial highlights above presented as Special costs. Special costs totalling DKK 5 million before tax relate primarily to restructurings. In 2018 no adjustments have been made in financial highlight compared to the figures in the consolidated financial statements prepared under IFRS.

#### *Premiums*

Total premiums amounted to DKK 1,850 million in 2019, against DKK 2,004 million in 2018. Of this amount, single payments represented DKK 1,047 million in 2019, 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.

#### *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.

#### *Insurance operating expenses*

Adjusted insurance operating expenses excluding special costs totalled DKK 101 million (APM) in 2019, against insurance operating expenses of 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 the end of 2022 at the latest.

#### *Profit/loss before tax excluding special costs*

The Group's life insurance business generated an profit before tax excluding special costs of DKK 96 million (APM) in 2019, as compared with profit before tax of DKK 104 million in 2018.

The substantial influx of corporate pension schemes remained the Group's overriding growth driver in 2019. 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.

#### *Bonus rate*

The bonus rate was 16.1% on 31 December 2019, against 18.6% at 31 December 2018, due to a sustained low interest rate level and the rate on policyholders' savings of 3.5% paid in 2019.

#### *Return requirement for shareholders' equity, life Insurance*

**Table no. 51 – Return requirement for the Group's shareholders' equity, life insurance, for 2019 compared to 2018**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(DKKm)</b>	
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
<b>Profit/loss for the year before tax</b>	<b>91</b>	<b>104</b>

The Executive Order on the contribution principle issued by the Danish FSA 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 2019 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.

#### **10.10.4 Other activities**

The Group's other business activities, consisting primarily of corporate expenses, resulted in a loss of DKK 86 million in 2019, 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 a former CEO.

#### **10.10.5 Further information**

Alm. Brand Bank A/S' (now Syd ABB A/S) banking business generated a profit before tax excluding special costs (APM) of DKK 67 million in 2019, as compared with adjusted profit before tax (APM) DKK 26 million in 2018. The higher profit was driven by increased business volume, supported by strong trading and customer re-mortgaging activity. Earnings benefited from reversed impairment write-downs on loans, while a loss on the investment portfolio related to negative interest on Alm. Brand Bank A/S' considerable deposit surplus detracted from performance.

Throughout 2019, Alm. Brand Bank A/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. Alm. Brand Bank A/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 A/S' 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 had made it attractive for many customers to convert or re-mortgage existing loans and, especially towards the end of the summer months in 2019, Alm. Brand Bank A/S experienced brisk conversion and re-mortgaging activity. Moreover, Alm. Brand Bank A/S experienced brisker asset management and securities trading activity in 2019.

As a result of the sustained favourable economic climate, rising property prices and improved economic conditions for several of Alm. Brand Bank A/S' customers in 2019, the bank was able to reverse write-downs in the amount of DKK 75 million in 2019.

On 31 December 2019, Alm. Brand Bank A/S 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 negative effect on the bank's total earnings of about DKK 25-30 million.

### **10.11 Liquidity and capital resources**

The Company operates as an insurance holding company for its subsidiaries. The liquidity and capital resource considerations for the Company and for the Company's subsidiaries vary considering the business conducted by each and the insurance regulatory and rating requirements applicable to these. The Group's principal sources of funds are insurance premiums, income from investment assets (including interest) and gains on investment assets. The Group's principal cash requirements are the payment of claims, payment of expenses, payment of dividends to shareholders, the servicing of debt and contributions to pension schemes.

The Group generates substantial cash flow from operations. These positive operating cash flows, along with that portion of its investment portfolio held in cash and highly liquid securities, have historically met the liquidity requirements of its insurance operations. As of 30 September 2021, the Group had cash in hand and balances at call of DKK 213 million (excluding the cash balance designated as held for sale related to Alm. Brand Liv og Pension) against DKK 1,412 million end of 30 September 2020 (including Alm. Brand Liv og Pension and Alm. Brand Bank A/S (now Syd ABB A/S)). As of 31 December 2020, the Group had cash in hand and balances at call of DKK 524 million as of 31 December 2020 (including Alm. Brand Liv og Pension), while cash in hand and balances at call amounted to DKK 1,036 million at the end of 2019 and DKK 1,093 million at the end of 2018 (2019 and 2018 both including Alm. Brand Liv og Pension and Alm. Brand Bank A/S (now Syd ABB A/S)). In addition, the Group has a substantial portfolio of investment assets, comprising Danish and international bonds, mortgage deeds, non-liquid credit instruments and shares and a small portfolio of property investments which is generally liquid assets tailored to ensure that liquidity is at all times sufficient to support the Group's operations and comply with the statutory requirements.

The Group paid dividends of DKK 1,229 million in 2021 due to the sale of Alm. Brand Bank A/S (now Syd ABB A/S), DKK 621 million related to the financial year 2020, DKK 458 million related to the financial year 2019 and DKK 468 million related to the financial year 2018. As an insurance holding company, the Company's ability to pay dividends is dependent on the ability of its operating subsidiaries to declare and pay dividends. The Group and its subsidiaries are also subject to legal restrictions on the amount of dividends that can be paid to shareholders due to minimum capital and solvency requirements imposed by insurance and other regulators in Denmark. In addition, the Danish FSA has as a COVID-19 Measure requested financial undertakings, hereunder insurance companies, not to declare dividends until end of Q3 2021. See Part I, section 18 – "Dividends and dividend policy" for further details on dividends and other regulation applicable to the Group's dividend payments.

#### **10.11.1 Cash flows**

The Group's principal sources of funds are insurance premiums, income from investment assets (including interest) and gains on investment assets. The Group's major uses of these funds are

to pay claims and related claims expenses and to pay other operating costs. The Group's positive operating cash flows, along with that portion of its investment portfolio held in cash and highly liquid securities, have historically met the liquidity requirements of its insurance operations.

In the insurance industry, "liquidity" generally refers to the ability of a business to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance policies. The liquidity of the Group's insurance operations is affected by the frequency and severity of losses under its policies. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for its general insurance operations. The Group's investment department monitors and manages liquidity based on the liquidity requirement of the Group. The objective of the investment function is to ensure that liquidity is at all times sufficient to support operations and comply with the statutory requirements for the Group. The liquidity management is determined on the basis of a conservative risk profile ensuring that 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.

In addition, the Group's reinsurance programme helps protecting that a single loss event or a random accumulation of large losses does not lead to an unacceptable loss of capital and, moreover, to reduce fluctuations in technical results.

The Group's operations generate cash flow as a result of the receipt of premiums in advance of the time when claim payments are required. The cash flow from operating, continuing activities was in Q1 – Q3 2021 DKK 1,016 million and for Q1 – Q3 2020 DKK 871 million. For the year 2020, the cash flow from operating, continuing activities was DKK 851 million, DKK 1,405 million in 2019 and DKK 1,508 million in 2018 (the 2020, 2019 and 2018 numbers include Alm. Brand Liv og Pension presented as discontinued activity in Q1 – Q3 2021 and Q1 – Q3 2020 and furthermore the 2018 number includes Alm. Brand Bank A/S (now Syd ABB A/S) presented as discontinued activity in Q1 – Q3 2020, 2020 and 2019). The liquidity requirements of the Group's insurance operations are met on both short- and long-term basis by funds provided by insurance premiums collected, income from investment assets and collected reinsurance receivables, and from the sale and maturity of investments.

The table below shows the Group's cash flows for Q1 – Q3 2021 and the financial years ended 31 December 2020, 2019 and 2018 (figures for 2019 are adjusted for discontinuance of Alm. Brand Bank A/S (now Syd ABB A/S) as presented in the 2020 Consolidated Financial Statements and the figures for Q1 – Q3 2020 are adjusted for discontinuance of Alm. Brand Liv og Pension and Alm. Brand Bank A/S (now Syd ABB A/S) as presented in the Q1 – Q3 2021 Condensed Interim Financial Statements).

**Table no. 52 – The Group's cash flows**

	Nine months ended 30 September		Financial year ended 31 December		
	2021 <sup>1)</sup>	2020 <sup>1)</sup>	2020	2019 <sup>2)</sup>	2018
	(DKKm)				
<b>Cash flow from operating activities</b>					
Premiums received	4,373	4,143	6,792	7,080	7,279
Claims paid	-2,321	-2,325	-4,485	-4,404	-4,489
Dividends received	10	2	42	42	57
Interest, etc. received	97	78	318	382	573
Payments concerning reinsurance	-206	-205	-252	-269	-214
Fee income paid	-	-	-	-	181
Expenses paid	-1,013	-816	-1,239	-1,103	-2,220
Other ordinary income received	90	-	-	-	-127
Tax on pension investment returns paid	-	-	-89	-82	471
Taxes paid/received	-14	-6	-162	-205	-3
<b>Cash flows from operating activities, continuing activities</b>	<b>1,016</b>	<b>871</b>	<b>925</b>	<b>1,441</b>	<b>1,508</b>
Cash flows from operating activities, dis-continuing activities	-165	534	297	-12	-
<b>Cash flows from operating activities</b>	<b>851</b>	<b>1,405</b>	<b>1,222</b>	<b>1,429</b>	<b>1,508</b>
					<b>8</b>
<b>Change in investment placement (net)</b>					
Acquisition of intangible assets, furniture, equipment, etc.	-20	-1	-1	0	86
Properties acquired or converted	0	11	4	-38	-135
Sale/acquisition of equity investments etc.	-8,473	-310	-542	301	-412
Sale/repayment of mortgage deeds and loans	128	110	-53	101	426
Sale/purchase of bonds	9,969	-736	-519	-1,536	-862
Purchase of activities from Saxo Privatbank A/S	-	-	-	-	-380
<b>Change in investment placement, continuing activities</b>	<b>1,604</b>	<b>-926</b>	<b>-1,111</b>	<b>-1,172</b>	<b>-1,277</b>
Change in investment placement, dis-continuing activities	858	775	2,353	-282	-
<b>Change in investment placement</b>	<b>2,462</b>	<b>-151</b>	<b>1,242</b>	<b>1,454</b>	<b>-1,277</b>
<b>Change in financing</b>					
Sale/purchase of treasury shares and cost related to share issue	-10	-31	-29	-157	-218
Dividend distributed (excluding on own shares)	2,308	0	0	-468 <sup>4)</sup>	-477
Change in subordinated debt	-400	0	0	0	0
Change in deposits	0	0	0 <sup>5)</sup>	0 <sup>5)</sup>	228
Change in payables to credit institutions	48	10	578 <sup>5)</sup>	264 <sup>5)</sup>	99
Change in other liabilities	-1	-2	150	-8	12
<b>Change in financing, continuing activities <sup>3)</sup></b>	<b>-2,671</b>	<b>-23</b>	<b>699</b>	<b>-369</b>	<b>-356</b>

Change in financing, discontinuing activities <sup>3)</sup>	-875	-855	-652	337 <sup>4)</sup>	-
<b>Change in financing</b>	<b>-3,546</b>	<b>-878</b>	<b>47</b>	<b>-32</b>	<b>356</b>
Net change in cash and cash equivalents, continuing activities	-51	-78	513	0	-125
Net change in cash and cash equivalents, discontinuing activities	-182	454	1,998	-57	-
<b>Net changes in cash and cash equivalents</b>	<b>-233</b>	<b>376</b>	<b>2,511</b>	<b>-57</b>	<b>-125</b>
<b>Disposals relating to divestment</b>	<b>-78</b>	<b>0</b>	<b>-3,023</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents beginning of year	524	1,036	1,036	1,093	500
Inflow from purchase of activities from Saxo Privatbank A/S	-	-	-	-	718
<b>Cash and cash equivalents, year end</b>	<b>213</b>	<b>1,412</b>	<b>524</b>	<b>1,036</b>	<b>1,093</b>
<i>Cash and cash equivalents comprise the following items:</i>					
Cash in hand and balances at call	213	241	524	244	232
Balances due from credit institutions and central banks	0	1,171	0	792	861
<b>Cash and cash equivalents, year end</b>	<b>213</b>	<b>1,412</b>	<b>524</b>	<b>1,036</b>	<b>1,093</b>

<sup>1)</sup> The numbers are derived from the unaudited but reviewed condensed consolidated interim financial statements as of and for the financial period ended 30 September 2021 with not reviewed comparative figures for the financial period ended 30 September 2020.

<sup>2)</sup> The 2019 numbers are comparative numbers for 2019 as presented in and derived from the 2020 Consolidated Financial Statements.

<sup>3)</sup> The amount consists only of cash inflows and outflows.

<sup>4)</sup> These amounts have previously been reported as -368 and 237 in the consolidated financial statements for the year ended 31 December 2019, respectively, but reclassified in the table above based on further analysis of the cash flows.

<sup>5)</sup> In the 2020 Consolidated Financial Statements 332 in 2020 and -150 in 2019 have been reported under "Change in deposits". These amounts should have been reported under "Change in payables to credit institutions" and are adjusted in the table.

#### *Net cash flow from operating activities*

Net cash flow from operating activities consists primarily of receipts in the form of premiums and interest income and payments in the form of claim settlement costs, purchase of reinsurance, administrative expenses and taxes.

Total cash flow from operating activities for continuing activities was DKK 1,016 million in Q1 – Q3 2021 compared to DKK 871 million in Q1 – Q3 2020.

Cash flows from activities related to the insurance operations, which is comprised of premiums received, claims paid, payments concerning reinsurance other ordinary income received and expenses paid contribute to a total of DKK 923 million in Q1 – Q3 2021 against DKK 797 million in Q1 – Q3 2020. In the Q1 – Q3 2021 there has been higher cash flows received from the premiums while claims paid have shown a stable level. Expenses paid that has been higher in Q1 – Q3 2021 and should be seen together with other ordinary income received that contains

payments from Sydbank of DKK 68 million to compensate for expenses incurred by Alm. Brand related to administration services provided to Alm. Brand Bank A/S (now Syd ABB A/S) according to a transitional service agreement agreed with Sydbank A/S.

In addition, cash flows related to interest etc. received, dividends received and taxes paid amounted to DKK 93 million in Q1 – Q3 2021 compared to DKK 74 million in Q1 – Q3 2020.

Total cash flow from operating activities for continuing activities was DKK 925 million in 2020 compared to DKK 1,441 million in 2019 and DKK 1,508 million in 2018 (including discontinuing activities).

Cash flows from activities related to the insurance operations, which is comprised of premiums received, claims paid, payments concerning reinsurance and expenses paid contribute to a total of DKK 816 million in 2020 against DKK 1,304 million in 2019. The decrease in 2020 is a result of lower cash flows in relation to premiums and increased claims payment and costs affected by among other things accruals. In addition, cash flows related to interest received, dividends received, and taxes paid and tax on pension investment returns paid amounted to DKK 109 million in 2020 compared to DKK 137 million in 2019.

#### *Net change in investment placement*

Net change from investing activities consists mainly of sale and acquisition of equity investments, sale and repayment of mortgage deeds and loans and sale and purchase of bonds.

Changes in investment placement for continuing activities was DKK 1,604 million in Q1 – Q3 2021 against DKK -926 million in Q1 – Q3 2020. For the year 2020 the cash flow was DKK -1,111 million compared to DKK -1,172 million in 2019 and DKK -1.277 million in 2018 (including discontinuing activities). The changes in Q1 – Q3 2021 were mainly due to investments in equity instruments and bonds amounting to a total of DKK 1,496 million. In Q1 – Q3 2021, the Group has changed its investment strategy and has accordingly sold off bonds and instead preferred investment funds which is reflected in the changes to the shares and bonds in the cash flow statement. The changes in 2020 were mainly due to investments in equity instruments and bonds amounting to a total of DKK 1,061 million compared to DKK 1,235 million in 2019.

#### *Change in financing*

Change in financing consist of sale/purchase of treasury shares, dividend distributed, change in subordinated debt, changes in deposits, changes in payables to credit institutions and changes in other liabilities. Changes in financing for continuing activities was DKK -2,671 million in Q1 – Q3 2021 against DKK -23 million in Q1 – Q3 2020. In Q1 – Q3 2021 dividend (excluding on own shares) of DKK 2,308 million has been distributed and further a subordinated debt of DKK 400 million has been repaid. For the year 2020 the cash flow was DKK 699 million in 2020 compared to DKK -369 million in 2019 and DKK -356 million in 2018 (including discontinuing activities) reflecting the positive cash flows from changes in payables to credit institutions and changes in deposits increased by a total of DKK 578 million. Further, the Company borrowed DKK 150 million to support Alm. Brand Bank A/S' (now Syd ABB A/S') needs for an MREL-loan (in Danish: "NEP-lån") presented as change in other liabilities. In the financial year 2019, the

cash flows were affected by dividends of DKK 468 million and acquisition of own Shares of DKK 157 million as part of a share purchase programme of DKK 200 million.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and balances at call and balances due from credit institutions and central banks.

Cash and cash equivalents were DKK 213 million in Q1 – Q3 2021 against DKK 524 million in 2020 (2019: DKK 1,036 million; 2018: DKK 1,093 million). All periods presented include cash and cash equivalents within discontinuing activities except from Q1 – Q3 2021.

### **10.11.2 Intangible assets**

The Group's intangible assets were DKK 27 million in Q1 – Q3 2021 and DKK 9 million in 2020 compared to DKK 187 million in 2019 and DKK 211 million in 2018. The Group's capital expenditure ("acquired intangible assets") during the Periods Under Review related to software and customer relationships. The decline in the financial year 2020 was mainly caused by disposals relating to disposals relating to the sale of Alm. Brand Bank A/S (now Syd ABB A/S).

The Group intends to continue to invest in IT development and IT infrastructure, seeking to improve processes and increase efficiencies in accordance with its strategic initiatives of claims excellence and digital empowerment of customers.

### **10.11.3 Sources of liquidity and capital**

The Group's total capital (own funds) was DKK 3,788 million as of 30 September 2021 and DKK 3,862 million as of 31 December 2020 (2019: DKK 5,596 million; 2018: DKK 5,792 million), consisting of equity, tier 2 capital (subordinated debt), profit margin and risk margin and deduction of deferred tax assets and intangible assets. The capital in 2019 and 2018 include discontinuing activities. In 2020 the total capital was reduced with DKK 2,310 million in dividends consisting of proposed dividends for the year 2020, dividends for the year 2019 and dividends related to the sale of Alm. Brand Bank A/S (now Syd ABB A/S) distributed in 2021.

The solvency capital requirement of the Group was including results from Alm. Brand Forsikring A/S' partial internal model DKK 1,101 million as of 30 September 2021 and the excess cover was thus DKK 2,687 million. This total capital as of 30 September 2021 does not include tier 2 capital (subordinated debt) as the Group has redeemed such previously obtained capital.

Calculated by applying only the standard model Group SCR was DKK 1,534 million.

The Group's principal sources of liquidity and capital resources are from operating activities. Further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering. The Group expects that it will be able to fund its cash requirements relating to its existing operations from its existing sources of cash for at least the next 12 months.

The Group expects that its principal needs for cash relating to its existing operations over the next 12 months will be to pay claims and related claims expenses and to pay other operating

costs. See also Part II, section 23.3 – "Essential information on persons involved in the Offering, capitalisation and use of proceeds" – "Working capital statement".

#### **10.11.4 Solvency II**

The Group's targeted solvency position is determined by the Management, who evaluates its risk exposure and consider solvency criteria established by legislative and regulatory requirements. In addition, rating agencies periodically assess the Group's capital position.

The solvency capital requirement of the Company and its insurance subsidiaries are set forth in the Danish Financial Business Act. See Part I, section 9 – "Regulation" for further details on regulatory requirements.

The Solvency II capital elements profit margin and risk margin increase the sensitivity of the total capital. The Company 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 A/S, the profit margin stability is analysed and stress-tested by exposing it to a number of negative scenarios. In Alm. Brand Liv og 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 Group has calculated the solvency capital requirement ("SCR") according to the Solvency II legislation following the sale of Alm. Brand Bank A/S (now Syd ABB A/S). The Group apply the standard formula in relation to calculation risk exposure from all risk categories. The Company subsidiary Alm. Brand Forsikring A/S is the main contributor to the overall Group's solvency capital requirement. Alm. Brand Forsikring A/S apply a partial internal model when calculating the SCR.

The Company consolidates the Group solvency capital requirement of the subsidiaries by applying Solvency II consolidation method 1. The Group is expected to seek approval from the Danish FSA regarding permission to use a combination of consolidation method 1 and 2 as part of its future consolidation. This will include the SCR results from the partial internal model in Alm. Brand Forsikring A/S in the Group's solvency. Applying the partial internal model is expected to enhance and reflect the Group's risk exposure more correctly and therefore using it in the calculation and consolidation of the Group SCR is expected to improve evaluation of the Group's solvency and financial situation. The solvency capital requirement of the Group was including results from Alm. Brand Forsikring A/S' partial internal model DKK 1,101 million as of 30 September 2021. Calculated by applying only the standard model Group SCR was DKK 1,534 million.

Alm. Brand Forsikring A/S calculates its solvency capital requirement on the basis of a partial internal model ("PIM") in combination with the standard formula of the Solvency II regime. PIM is used to calculate the solvency capital requirement attributable to non-life insurance risks "premium and reserve risk" as well as NSLT (Non-Similar to Life Techniques) Health risk and "natural catastrophe risk". PIM is designed to reflect the business structure and the reinsurance cover to, most accurately, reflect the risk exposure and is based on the company's own data.



The model is designed to, most accurately, reflect the risk exposure. The model covers all lines as the Danish FSA in June 2021 approved a major model change where the lines workers' compensation and personal accident was added to the model. The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 958 million as of 30 September 2021 and DKK 1,059 million as of 31 December 2020 (2019: DKK 984 million; 2018: DKK 985 million).

Alm. Brand Liv og Pension 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 was DKK 137 million at 30 September 2021 and DKK 153 million at 31 December 2020 (2019: DKK 146 million; 2018: DKK 158 million). The level of the solvency capital requirement is relatively low due to the high bonus potentials in Alm. Brand Liv og Pension, which had a bonus rate of 17.7% at 30 September 2021 and 15.2% at 31 December 2020.

Solvency II legislation provides the option of including the loss-absorbing effect of a deferred tax asset in the calculation of the capital requirement. The Company has decided to make use of this option in the calculation of the capital requirements of the two insurance companies. The Group has implemented a detailed risk governance structure in full compliance with Solvency II. The Solvency II regime emphasises the need for sound risk management and introduced additional requirements concerning risk governance, consistency across the Group and management reporting and involvement.

The Group also monitors its solvency position based on the Danish FSA's stress tests. This system tests an insurance company's ability to endure a number of hypothetical financial market scenarios.

The Group annually conducts an ORSA based on Solvency II principles. The ORSA requires that the Group assesses all material changes to the solvency capital requirement and material risks it is or may be exposed to and assess whether the solvency capital requirement is reasonable and reflects its actual risk profile. Further, a scenario analysis is included subject to the Group's stress scenarios. The assessments of how much risk to assume and how much capital to hold are linked. The appetite for risk is linked to the ability to diversify the risk within the Group portfolio, and possibly mitigate such risk in part via reinsurance. The assessment of risk and solvency needs is carried out on a quarterly basis. The ORSA consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals. The outcomes of the individual risk management processes are presented to the Supervisory Board throughout the year dealing with individual elements that make up the ORSA. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report.

#### **10.12 Investment return**

In the financial year ended 31 December 2020, the Group's investment result after interest on technical provisions was a gain of DKK 58 million, against a gain of DKK 35 million in 2019. In the first nine months of 2021 ended 30 September 2021, the Group's total investment result excluding Alm. Brand Liv og Pension was DKK 10 million against a total investment result of DKK -6 million for the first nine months of 2020 ended 30 September 2020. The 2020 result

occurred despite very low interest rate levels and the very volatile financial markets. Moreover, the result was favourably affected by a strategic increase of the exposure to shares and credit bonds from and including Q2 2020.

For further details on the Group's investments, see Part I, section 6.10 – "Business overview of the Group" – "Investments".

#### **10.13 Off-balance sheets arrangements**

The Group has guarantee commitments amounting to DKK 687 million as per 30 September 2021 and DKK 1,310 million as per 31 December 2020 (2019: DKK 4,993 million; 2018: DKK 2,703 million). Both 2019 and 2018 is including discontinuing activities. The companies of the Group have undertaken to participate in investing in unlisted securities in the amount of DKK 594 million as of 30 September 2021. The remaining off-balance sheet arrangements relate to an IT lease and service agreement, VAT adjustment liability and other arrangements.

In addition, the Group has issued discharge declarations to specific persons potential liability as board members, executive management and/or liquidators in or of specific companies related to the Group.

#### **10.14 Pensions**

The Group operates the pension scheme Pensionskassen under Alm. Brand A/S. The scheme is funded through primarily asset management/investments.

The Company has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand A/S assuring inflation adjusted contributions to the scheme members. Pensionskassen under Alm. Brand A/S has currently 28 members with an average age of 85 years and is in run off. The Association has undertaken to indemnify the Company for any and all costs the Company may incur from time to time in respect of these obligations.

For more information on pensions, see the notes of the 2020 Consolidated Financial Statements as incorporated by reference in Part I, section 19.1 – "Additional information" – "Financial statements".

#### **10.15 Related party transactions**

The Group's related party transactions are described in Part I, section 17.1 – "Related party transactions" – "Details of related party transactions of the Group".

## 11. OPERATING AND FINANCIAL REVIEW OF CODAN DENMARK

*This Operating and Financial Review of Codan Denmark should be read in conjunction with the more detailed information contained in this Prospectus, including the financial information and other information referred to in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" and section 2 – "Codan Denmark Combined Carve-Out Interim Condensed Financial Statements for the Financial period ended 30 September 2021".*

*Some of the information contained in this section including information with respect to Codan Denmark's plans and strategies for its business and its expected sources of financing, contain forward-looking statements that involve risk and uncertainties. Reference is made to Part I, section 2.3 – "Important notice and expected timetable of principal events" – "Special notice regarding forward-looking statements" for further details of the risks related to those statements. Refer to "Risk Factors" for further details of certain factors that may affect Codan Denmark's reputation, business, financial condition, results of operations and prospects, including, but not limited to, "Risk factors", 3.7 – "Codan Denmark's financial statements and other financial information related to Codan Denmark presented in this prospectus may not be representative of their results as part of the Enlarged Group".*

### 11.1 Overview

#### Codan Forsikring and Codan Denmark

Following Tryg's and Intact's acquisition of RSA, RSA Scandinavia was carved-out from the RSA Group with effect from 1 June 2021. As at the Prospectus Date the contemplated Demerger expected to be executed by Q1-2022 has not yet been executed and hence Codan Denmark is included into the business of Codan Forsikring together with the business of Codan Norway and Trygg-Hansa. For an overview of the legal structure please refer to Part I, section 7.5 – "Business overview of Codan Denmark" – "Legal ". Following the contemplated Demerger, Codan Norway and Trygg-Hansa will be transferred to Tryg, and Codan Denmark will be transferred to Chopin Forsikring, the shares of which will afterwards be transferred to the Company at completion of the Acquisition (expected during H1 2022). For further information about the contemplated Demerger, please refer to Part I, section 5.3.5 – "Details of the Acquisition" – "The Acquisition" – "Demerger". Following the Demerger, Chopin Forsikring will be the legal entity holding Codan Denmark and the necessary license by the Danish FSA for conducting insurance business as granted by the Danish FSA on 30 September 2021. It is expected that Chopin Forsikring will be applying a system of governance largely identical to the current policies as applied by Codan Forsikring in relation to Codan Denmark at the Prospectus Date.

For the purpose of this section, information is provided relating to Codan Forsikring being the legal entity holding Codan Denmark at the Prospectus Date, where information is provided on legal-entity level. Where it is possible to refer to the relevant business subject to the Acquisition, reference is made to Codan Denmark, which describes the business as conducted by Codan Forsikring and Privatsikring relating to the Codan DK Business at the Prospectus Date. Hence Codan Denmark does not refer to a separate legal entity but to the business as conducted by

Codan Forsikring and Privatsikring relating to the insurance business to be Acquired by the Company.

## Introduction

Codan Forsikring is a limited company incorporated and domiciled in Denmark. Codan Forsikring is owned by Intact, which is the largest provider of property and casualty insurance in Canada, and Tryg, which is one of the largest non-life insurance groups in Scandinavia.

Codan Forsikring owns all shares in the Danish insurance company Privatsikring. Privatsikring writes insurance through a partnership with Nykredit Realkredit A/S, Spar Nord Bank A/S and the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (Lokale Pengeinstitutter, LOPI).

According to the latest available statistics from the Danish industry organisation Forsikring & Pension, Codan Forsikring is the fourth largest non-life insurer in Denmark with a market share of 8.5% (calculated based on gross premium income in Q3 2020). As of end 2020, Codan Denmark's non-life insurance products protected approximately 240,000 households and 40,000 companies.

Codan Denmark generated a profit/loss before tax (after deduction of bonus and premium discounts) of DKK 512 million in Q1 – Q3 2021 (Q1 – Q3 2020: DKK 416 million), and DKK 554 million in full year 2020 (2019: DKK -156 million; 2018: DKK 177 million). The technical result of DKK 594 million in Q1 – Q3 2021 (DKK 472 million in Q1 – Q3 2020), and DKK 594 million in full year 2020 (2019: DKK -251 million; 2018: DKK 85 million). The combined ratio in Q1 – Q3 2021 was 85.6% (88.3% in Q1 – Q3 2020), and full year 2020 was 88.9% (2019: 104.3%; 2018: 98.6%).

The table below presents Codan Denmark's consolidated gross premium income by operating segments for Q1 – Q3 2020 and 2021 as well as for the years ended 31 December 2020 and 2019. See Part I, section 7.7.2 – "Business overview of Codan Denmark" – "Operations" – "Operating segments" for a description of Codan Denmark's operating segments.

**Table no. 53 – Codan Denmark's consolidated gross premium income by operating segments**

	Nine months ended 30 September		Financial year ended 31 December		
	2021 <sup>1)</sup>	2020 <sup>2)</sup>	2020	2019	2018
	(DKKm)				
Commercial segment	2,516	2,403	3,201	3,553	3,745
Personal segment	1,624	1,634	2,174	2,248	2,285
<b>Total gross premium income</b>	<b>4,140</b>	<b>4,037</b>	<b>5,375</b>	<b>5,801</b>	<b>6,030</b>

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statement

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Condensed Financial Statement

## **11.2 Current trading and recent developments**

Since 30 September 2021, Codan Denmark has been met with a claim where Codan Denmark's expected retention amounts to DKK 100 million. Please see Part I, section 5.3.1 – "Details of the Acquisition" – "The Acquisition" – "Consideration" for a description of adjustments of the consideration under the Acquisition in the event of adjustments in the own funds of Codan Denmark.

## **11.3 Operating segments**

Codan Denmark provides a broad range of general non-life insurance products as well as personal accident and health insurance within its commercial segment and personal segment.

For further details on Codan Denmark's operating segments and financial information pertaining to the operating segments, see Part I, section 7.7.1 – "Business overview of Codan Denmark" – "Operations" – "Description of the products".

## **11.4 Key factors affecting results of operations**

Codan Denmark's results of operations are affected by numerous external and internal factors. The following is a description of some of the most important of these factors. For further factors affecting Codan Denmark's results, please refer to the section "Risk Factors".

### **11.4.1 Penetration in the Danish insurance market and customer retention**

Insurance penetration is generally perceived as very high in Denmark with ratios of non-life insurance premiums as a percentage of GDP among the highest in Europe and the world. Codan Denmark believes the high level of non-life insurance penetration is attributable to the fact that businesses and households are relatively well-off and accustomed to purchasing insurance products at the appropriate level for their needs. Further, Codan Denmark believes Danish consumers understand the benefits that insurance can offer and are increasingly looking for new add-on insurance products, tailored product bundles and high levels of customer service from brands they trust.

Codan Denmark's customer retention rate was 76.9% in Q1 – Q3 2021 and was 74.8% in 2020 (2019: 80.3%; 2018: 79.8%).

### **11.4.2 Strategic initiatives to drive profitability**

In 2020 Codan Denmark launched its 2025-strategy "Sammen om Codan" setting the direction of a new customer focussed Codan Denmark. As part of the strategy, Codan Denmark initiated five strategic focus areas aiming to improve profitability whilst growing in selected business segments such as partnerships and bancassurance.

Rate- and pruning activities were launched in second half of 2019 in the Commercial segment as part of a profitability improvement programme. The programme targeted rate- and pruning activities on selected sub-segments which ended up having a significant positive impact on profitability with the gross claims ratio improving 14.7 percentage points in 2020 (2020: 75.8%;

2019: 90.5%). For the period Q1 – Q3 2021 compared to Q1 – Q3 2020, the gross claims ratio improved by 14.4 percentage points to 59.7%. The programme continued throughout 2020 and into 2021 with the majority of the actions implemented during Q1 2021.

Within the business line "technical lines" (construction and engineering insurance including renewable energy insurance) a deep dive profitability analysis was carried out in Q1 2021 which resulted in a set of additional profitability focused actions that are currently being executed. As technical lines to a high degree is characterized by multiyear project insurance, the financial benefits have longer lead times. In addition, technical lines is affected by the international insurance market that has been hardening which will support the profitability turnaround.

To support the execution of the strategy "Sammen om Codan", new ways of working are being implemented throughout Codan Denmark with a revised approach to data-driven insights, a new organisational set-up and new initiatives in terms of prevention of losses for customers.

#### **11.4.3 Automatic renewal of policies and indexation of premiums**

Automatic renewal of insurance policies is a common feature of the Danish personal non-life insurance market and the Danish commercial non-life insurance market. Regulations governing automatic renewal of insurance policies generally provide that insurance policies are automatically renewed each year subject to applicable renewal notice requirements, policyholder cancellation notice requirements, and policyholder termination rights. There have not been significant regulatory changes in the Danish non-life or life insurance market since 2018.

Automatic renewal applies to insurance policies relating to Codan Denmark's personal lines of business and certain of its insurance policies relating to selected commercial lines of business. Automatic renewal of policies helps to boost customer retention levels. This is a key profitability driver. High retention rates help insurers in keeping overall expenses low owing to reduced marketing and sales costs as well as the tendency for established customers to use their insurance products less often than new customers.

Indexation is also a common feature of the Danish non-life insurance market. Codan Denmark uses official government indices which measure relevant consumer wage, price and inflation levels to adjust the basis for annual premiums in some of its lines of business. Indexation applies to a large portion of Codan Denmark's property, motor, housing and contents and personal accident lines. Price adjustments based on indices are passed on to the customer as part of the automatic contract renewal process in accordance with standard market practice in many of Codan Denmark's lines of business. In conjunction with the automatic renewal of policies, indexation results in automatic premium increases from year to year in those lines where it applies.

#### **11.4.4 Claims development**

Codan Denmark establishes claims provisions to account for the anticipated ultimate costs of all claims and related loss adjustment expenses on claims that have already occurred. There is significant uncertainty relating to claims reserving, although the greatest uncertainty mainly relates to long-tailed classes (i.e., claims which generally are not fully settled for more than three

years) such as bodily injury, personal accident, and loss of working capacity claims (personal claims). As the uncertainty associated with the calculation of claims reserves affects Codan Denmark's results through the run-off on reserves, Codan Denmark reported a run-off gain on claims, net of reinsurance of DKK 253 million in Q1 – Q3 2021, DKK 550 million in 2020, DKK 168 million in 2019 and DKK 159 million in 2018. For more information regarding claims provision, claims paid, changes in claims and other adjustments see Note 18 of the 2020, 2019 and 2018 Carve-Out Financial Statements of Codan Denmark.

Codan Denmark's long-tailed classes include personal accident and sickness, auto liability and workers' compensation insurance. Liability lines of business have a fairly long-tailed development pattern, resulting in inherent reserving uncertainty. Codan Denmark's short-tailed classes are also subject to risk of claims inflation exceeding price adjustments, which would have the effect of eroding Codan Denmark's profit margin; however, this risk would be offset more quickly for Codan Denmark's shorter duration business. At the end of 2020, Codan Denmark's claims provision totalled DKK 8,459 million (2019: DKK 8,590 million) with an average duration of approximately 3.65 years (2019: 3.64 years). As of 30 September 2021, Codan Denmark's claims reserves net of reinsurance totalled DKK 8,121 million with an average duration of approximately 3.65 years. During the Periods Under Review, Codan Denmark recorded positive year developments (i.e., profit generated by settling claims incurred in a previous year at a better level than the previous estimated cost).

Although Codan Denmark continuously monitors and assess the size of claims reserves, it may be forced to change its assumptions about the levels and frequency of future claims significantly over a short period of time. In addition to the ongoing monitoring of claims development based on statistical data, Codan Denmark has quarterly meetings between actuaries, portfolio managers and claims managers, where the latest changes in the business, including rating trends, court rulings and other significant events and trends are analysed, and the consequences for the claims reserves are quantified. Claims inflation is monitored continuously using internal and external parameters, and price adjustments are pushed through accordingly.

#### **11.4.5 Weather effects and major claims**

Weather conditions in Denmark significantly impact both the frequency and the average size of Codan Denmark's claims incurred, its claims ratios and its technical result in a number of its most important business lines. The frequency and severity of major events and catastrophes are inherently unpredictable. The fluctuations in Codan Denmark's quarterly results are mainly driven by major claims (single claims or claims events gross above DKK 5 million) and weather events. Such events include, among others, windstorms, severe hail, severe winter weather, floods and fires. See also "Risk Factors", 2.1 – "The frequency and severity of claims incurred by the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group are affected by the incidence of adverse and extreme weather events, catastrophes and climate change and such factors may accordingly adversely affect their cash flows, business, financial condition, results of operations and prospects." For further details on risks related to significant weather events.

The most common catastrophe risk faced by Codan Denmark relates to weather related losses including wind- and rainstorms in Denmark. Expenses for weather-related claims net of reinsurance were zero in Q1 – Q3 2021 as no claims were recorded, DKK 16 million in 2020 (2019: DKK 5 million; 2018: DKK 0 million). Weather-related claims affected the combined ratio by 0.3 percentage points in 2020 (2019: 0.1 percentage points; 2018 0 percentage points).

Codan Denmark's performance is also heavily impacted by major losses (understood as a loss of DKK 5 million or more). Major claims volatility is a natural feature in large commercial business, in particular within commercial property, marine and technical lines. In 2020, net major claims accounted for DKK 828 million (2019: DKK 855 million; 2018: DKK 745 million) and had an effect on the combined ratio of 15 percentage points (2019: 16 percentage points; 2018: 15 percentage points) (UK GAAP). In the period Q1 – Q3 2021, net major claims accounted for DKK 340 million. During 2019 – 2021 several actions have been taken to improve major claims performance and reduce large loss volatility through exits of specific major claims exposure segments, improved rate strength and major claims funding, changed reinsurance programme to reduce result volatility, as well as reduced line shares in the renewable energy business line.

#### **11.4.6 Impact of COVID-19**

As elaborated on in Part I, section 10.4 – "Operating and financial review of the Group" – "Key factors affecting results of operations" and "Risk Factors", 2.17 – "COVID-19 has materially impacted and may potentially continue to materially impact the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group. This may negatively affect the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects." the outbreak of COVID-19 has had serious repercussions on global economies and political developments, which has in turn impacted the results of market participants in the Danish non-life insurance sector. In particular the insurance property and casualty insurance market has seen claims frequency benefits in personal motor as well as house and content insurance from reduced driving and travel, but also uncertainty around business interruption insurance.

During 2020 and 2021, Codan Denmark's underlying business has generally continued to perform in line with expectations even in extremely difficult economic conditions relating to the outbreak of COVID-19. Premium income in 2020 was impacted by COVID-19 and the associated reduction in new car purchases linked to the COVID-19 Measures. In the personal segment, COVID-19 resulted in a reduced claims frequency.

A small number of litigation claims for business interruption were filed with Codan Denmark. Codan Denmark has conducted a thorough claims assessment process for all business interruption claims received. Most business interruption coverages are not expected to be eligible under their terms for COVID-19 claims. In areas of litigation, the claims assessment is supported with legal advice and consequently claims reserves are generally not held in respect of adverse outcome.

Furthermore, financial markets have been affected by the COVID-19 outbreak. Financial market volatility was noticeably higher and yields lower. Codan Denmark faced this with its high-quality



investment portfolio and robust asset-liability matching. Nevertheless, market movements had a short-term effect on the investment result for 2020.

Due to the COVID-19 Measures, the vast majority of Codan Denmark's total workforce worked from home with a remote working setup. Critical security centrals were established, and user manuals were distributed to inform the employees of required behaviour.

#### **11.4.7 Investment-related factors**

An element of Codan Denmark's financial results is return on invested assets. Codan Denmark's results are affected to some extent by general market conditions in investments and factors that affect investments such as fluctuations in interest rates and conditions of equity markets. Codan Denmark had total investment assets and cash at bank and in hand for DKK 11,589 million in Q3 2021 (DKK 12,217 million in Q3 2020) and DKK 12,258 million in 2020 (2019: DKK 12,800 million; 2018: 12,703 million). The net investment income (considering income accrued on debt in the period and income received on equity and funds in the period) was DKK 215 million in 2020 (2019: DKK 287 million; 2018: DKK 289 million).

As of 31 December 2020, around 70.2% of the assets were invested in mortgage and government bonds, 12.0% in corporate bonds, 2.2% in equity and the remaining 15.6% in other asset types.

The credit risk exposure is partly mitigated by 86.2% of the portfolio being invested in fixed income assets and cash rated investment grade and more than 85.0% of fixed interest and cash rated AA or above.

The invested assets are managed by Codan Denmark's investment team using one non-discretionary and one discretionary fixed income mandate, a non-discretionary real estate investment trust mandate and select liquid debt strategies. In addition, RSA provides investment management services to Codan Denmark under a services agreement. The investment management expenses were DKK 30 million in 2020 (2019: DKK 26 million; 2018: DKK 29 million).

#### **11.5 Critical accounting policies and estimates**

The preparation of Codan Denmark's financial statements requires the Management to make judgments, assumptions and estimates that affect the amounts reported in its financial statements and the related notes. If actual results differ significantly from Codan Denmark's estimates and prospective financial information, there could be material adverse effect on its financial statements and consequently, subsequent to the Acquisition, on the financial results of the Enlarged Group. See also "Risk Factors".

#### **11.6 Accounting and tax regulation**

At the Prospectus Date, a number of new or amended IFRS standards have not yet entered into force and/or been adopted for use in the EU and are therefore not included in the financial information regarding Codan Denmark. Codan Denmark does not expect to implement the new accounting standards and interpretations until they become mandatory.

Except for the standard listed below, none of the new standards or interpretations are expected to have a significant impact on the financial reporting of Codan Denmark.

Codan Denmark have not applied the following significant new and revised IFRS Standards that have been issued but are not yet effective for purposes of Codan Denmark Combined Carve-Out Financial Statements:

- IFRS 9 (Financial Instruments). IFRS 9 (Financial Instruments) enters into force for the accounting year commencing 1 January 2018, with insurance companies allowed to postpone the implementation to 1 January 2023 if certain criteria are met.
- IFRS 17 (Insurance Contracts). IFRS 17 (Insurance Contracts) is expected to enter into force for the accounting year commencing 1 January 2023.

IFRS 9 (Financial Instruments) has been issued to replace IAS 39 (Financial Instruments: Recognition and Measurement) and primarily changes the classification and measurement of financial assets. In preparing the Codan Denmark Combined Carve-Out Financial Statements the option available to insurance companies to defer adoption of IFRS 9 to 1 January 2023 alongside IFRS 17 (Insurance Contracts) has been applied. The implementation of IFRS 9 (Financial Instruments) is not currently expected to significantly change Codan Denmark's statement of financial position or profit and loss as all financial instruments are measured at fair value through profit and loss.

In May 2017, the IASB issued IFRS 17 (Insurance Contracts). IFRS 17 replaces IFRS 4 (Insurance Contracts). IFRS 17 (Insurance Contracts) is expected to enter into force for the accounting year commencing 1 January 2023. The impact of IFRS 17 (Insurance Contracts) is currently being assessed in a structured and formal manner and is expected to be concluded in due course ahead of the implementation date.

The Danish government has entered into an agreement with certain political parties in Denmark on imposing increased tax on financial institutions. According to the agreement, the intention is to generate a tax income for Denmark in the amount of DKK 1 billion in 2023 and DKK 1.26 billion per year from 2024. The Danish government expects to present a bill to the Danish parliament in this respect in February 2022 according to which the increased tax will be 3.2% of taxable income in 2023 and 4% of taxable income in the following years. Depending on the final act, if adopted by the Danish parliament, it may substantially increase the Enlarged Group's tax payments from 2023, see also "Risk Factors", 2.20 – "The Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, subject to extensive regulatory requirements. Failure to comply with such requirements, obtain, hold or renew licenses, permissions, authorisations or notifications, or changes to the legal and regulatory systems under which the Enlarged Group will operate could have a material adverse effect on its reputation, cash flows, business, financial condition, results of operations and prospects."

## **11.7 Key performance indicators and targets**

Codan Denmark intends to continue its focus on maintaining underwriting discipline and long-term profitability. As part of this focus, Codan Denmark's management team monitors, amongst

other things, profitability and growth within each distribution segment and product line whilst maintaining focus on customer and employee satisfaction scores. The management team monitors, amongst others the following KPIs:

- Portfolio movements, expressing performance on new business, lapses and rate within each line of business as well as distribution segment.
- Premium income, expressing revenue generated from portfolio development.
- Gross and net claims ratio, expressing the ratios of claims incurred compared to premium income.
- Gross and net expense ratio, expressing the ratio of expenses and commission to premium income.
- Gross and net combined ratio combines the sum of claims experience and expense ratio to premium income.

Codan Denmark also uses the following indicators to monitor business performance: customer retention, number of products per business line, sales per FTE, customer satisfaction scores, hit rates, average claims, claims frequency, claims development, case reserves and underlying claims performance. The measures might not be comparable to other companies in the industry.

Financial targets are set on a yearly basis supported by Codan's strategy department and business plans from each of Codan Denmark's distribution segment and line of business. Performance is monitored on both a monthly and a quarterly basis.

## **11.8 Interim financial results for Q1 – Q3 2021 compared to Q1 – Q3 2020**

### **11.8.1 Codan Denmark financial results**

Codan Denmark generated a profit/loss before tax of DKK 512 million in Q1 – Q3 2021 against a profit/loss before tax of DKK 416 million in 2020.

The technical result amounted to DKK 594 million in 2021, against DKK 472 million in 2020.

Codan Denmark's profit/loss and key figures for Q1 – Q3 2021 compared to Q1 – Q3 2020 are set out in the table below. The 2021 performance was improved due to the profitability improvement programme which focus on reducing major claims and improving the rate strength in the book, with significant improvements to claims following fewer large losses paired with improving underlying loss performance. In addition, COVID-19 continued to provide favourable frequency benefits in 2021 in parts of the book from where lock down has resulted in e.g., less driving and lower frequency of motor claims.

**Table no. 54 – Codan Denmark's profit/loss and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020**

	<b>Q1 – Q3 2021<sup>1)</sup></b>	<b>Q1 – Q3 2020<sup>2)</sup></b>
	<b>(DKKm)</b>	
Gross premium income	4,140	4,037
Gross claims incurred <sup>3)</sup>	-2,312	-2,832
Acquisition costs and administration expenses	-896	-802
Ceded insurance premiums	-445	-454
Change in reinsurer's share of premium provision	22	194
Reinsurance cover received	216	175
Change in the reinsurers' share of claims provision	-152	134
Reinsurance commissions and profit participation	21	20
<b>Technical result</b>	<b>594</b>	<b>472</b>
Interest income and dividends	177	162
Interest expenses	-45	-6
Value adjustments	-290	-93
Investment management expenses	-22	-22
Return on insurance provisions	182	-97
<b>Total investment return after insurance technical interest</b>	<b>2</b>	<b>-56</b>
Other costs	-84	0
<b>Profit/loss before tax</b>	<b>512</b>	<b>416</b>
Tax	-120	-89
<b>Profit/loss for the period</b>	<b>392</b>	<b>327</b>
Run-off result, claims	253	366
Run-off result, risk margin (APM)	147	127
Gross claims ratio (%)	55.8	70.2
Net reinsurance ratio (%)	8.1	-1.7
<b>Claims Experience Ratio (%) (APM)</b>	<b>64.0</b>	<b>68.5</b>
Gross expense ratio (%)	21.6	19.8
<b>Combined Ratio (%)</b>	<b>85.6</b>	<b>88.3</b>
Combined Ratio Excluding Run-off Result (APM) (%)	95.3	100.5

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Condensed Financial Statements

<sup>3)</sup> Comprise of Claims paid, Change in claims provisions and Change in risk margin

#### *Gross premium income*

The gross premium income increased from DKK 4,037 million in Q1 – Q3 2020 to DKK 4,140 million in Q1 – Q3 2021. The increase in gross premium income in 2021 was driven primarily by growth in the technical lines segment.

### *Claims, net of reinsurance*

Claims, net of reinsurance decreased from DKK -2,832 million in Q1 – Q3 2020 to DKK -2,312 million in Q1 – Q3 2021. This was driven by targeted actions to improve performance with reduction in the gross claims ratio from 70.2% in Q1 – Q3 2020 to 55.8% in Q1 – Q3 2021. The gross claims ratio benefited from less large losses as well as positive development in the underlying loss ratio across all divisions.

The run-off result was positively impacted in 2020 by releases on several major claim cases in the commercial property lines including the technical lines segments as well as favourable gains from the motor insurance business. 2021 continues to see favourable emergence, however slightly less than in 2020, where 2021 was also impacted adversely by a targeted reserve strengthening on Workers Compensation.

In 2020, the weather-related claims were impacted by one weather event in Denmark where a cloudburst in August 2020 flooded areas in Northern Zealand and Jutland. To date, in 2021 there have not been any weather events, providing some positive headroom compared to prior year.

In relation to major claims (defined as single claims or claims events gross above DKK 5 million), initiatives were put in place during 2019 to improve Codan Denmark's performance, including actions to reduce major claims exposure and targeted exits from certain lines of business, e.g., the grid-to-grid business (subsea cables connected to power conductors on each shoreline) and municipality business, as well as pruning of selected clients and segments, with a favourable impact showing less major claims experience in 2021 which is a continuation of the favourable trend experienced.

### *Acquisition costs and administration expenses*

Acquisition costs and administration expenses increased from DKK -802 million in Q1 – Q3 2020 to DKK -896 million in Q1 – Q3 2021. The higher expenses in 2021 is mainly attributed to the planned strategic investment in the expanded partnership setup.

### *Other costs*

Other costs of DKK 84 million in Q1 – Q3 2021 consist of costs related to the reorganisation of the Scandinavian business of RSA and carve-out of Codan Denmark.

### *Combined ratio*

The combined ratio increased from 88.3% in Q1 – Q3 2020 to 85.6% in Q1 – Q3 2021. This was mainly driven by increased profitability through an implemented profitability improvement programme, which focus on major claims reduction, slightly offset by investments in strategic partnerships.

The Combined Ratio, Underlying Business (APM) was 82.4% in Q1 – Q3 2021, marking a 1.2 percentage point worsening relative to Q1 – Q3 2020. The trend in the combined ratio and the Combined Ratio, Underlying Business (APM) is primarily due to increased investments and less

COVID benefits in 2021, offset by strong performance in underlying loss ratio development in both commercial and personal lines.

**Table no. 55 – Combined ratio for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for Codan Denmark**

	<b>Q1 – Q3 2021<sup>1)</sup></b>	<b>Q1 – Q3 2020<sup>2)</sup></b>
Combined Ratio, Underlying Business (APM)	82.4%	81.2%
Weather-related claims, net of reinsurance (APM)	0.0%	0.1%
Major claims, Net of Reinsurance (APM)	8.2%	13.0%
Run-off result, claims	-6.1%	-9.0%
Change in risk margin, run-off result and current year	1.2%	3.0%
<b>Combined ratio</b>	<b>85.6%</b>	<b>88.3%</b>

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Condensed Financial Statements

### 11.8.2 Commercial segment

The technical result amounted to a profit of DKK 259 million in Q1 – Q3 2021, against a profit of DKK 237 million in Q1 – Q3 2020.

The profit/loss and key figures for Q1 – Q3 2021 compared to Q1 – Q3 2020 for Codan Denmark's commercial segment are set out in the table below.

Underlying profitability improved significantly due to the profitability improvement programme, as well as significant improvements in large losses. The top line of Codan Denmark's commercial segment was negatively impacted as a consequence of the profitability improvement programme and targeted exits.

**Table no. 56 – Codan Denmark's technical result and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020, commercial segment**

	<b>Q1 – Q3 2021<sup>1)</sup></b>	<b>Q1 – Q3 2020<sup>2)</sup></b>
	<b>(DKKm)</b>	
Gross premium income	2,516	2,403
Gross claims incurred	-1,502	-1,804
Gross operating expenses	-438	-432
Profit/loss on gross business	576	167
Profit/loss from reinsurance	-317	70
<b>Technical result</b>	<b>259</b>	<b>237</b>
Run-off result, claims	115	334
Run-off result, risk margin (APM)	115	103
Gross claims ratio (%)	59.7	75.1
Net reinsurance ratio (%)	12.6	-2.9
<b>Claims Experience Ratio (%) (APM)</b>	<b>72.3</b>	<b>72.2</b>
Gross expense ratio (%)	17.4	18.0

**Combined Ratio (%)****89.7****90.2**<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Condensed Financial Statements*Gross premium income*

The increase in Codan Denmark's gross premium income from Q1 – Q3 2020 (DKK 2,403 million) to Q1 – Q3 2021 (DKK 2,516 million) was largely driven by the technical lines business line due to a hardening rate environment and Codan Denmark's strong brand in renewables and sustainability.

*Gross claims incurred*

An extensive profitability improvement programme was launched for Codan Denmark's commercial lines at the end of 2019 which has resulted in improving both underlying and major claims performance. In addition to existing lines with less profitability, the improvement plan focused on improving customer rate adequacy and better knowledge sharing across commercial lines functions. The effect was apparent in 2020 and has continued to provide positive development in 2021.

*Run-off result*

The run-off result was positively impacted in 2020 by releases on several major claims cases in the commercial line and technical lines segments. The performance in 2021 continues to be very good but limited by strengthening of reserves within Workers Compensation.

*Gross operating expenses*

Gross operating expenses was broadly flat from DKK 432 million in Q1 – Q3 2020 to DKK 438 million in Q1 – Q3 2021.

*Combined ratio*

The combined ratio was stable from 90.2% in Q1 – Q3 2020 to 89.7% in Q1 – Q3 2021 driven by a significant positive impact from the profitability improvement programme and focus on exposure and reduction of major claims, offset by less favourable emergence from run-off gains from prior years' major claims. Underlying losses improved providing a healthy foundation as a result from the profitability improvement programme.

The Combined Ratio, Underlying Business (APM) was 78.6% in Q1 – Q3 2021, marking a 1.3 percentage point worsening relative to Q1 – Q3 2020. The trend in the combined ratio and the Combined Ratio, Underlying Business (APM) is primarily due to less COVID benefits in 2021, offset by favourable improvements in the underlying loss ratio for primarily commercial motor and property.

**Table no. 57 – Combined ratio for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for Codan Denmark, Commercial segment**

	<b>Q1 – Q3 2021<sup>1)</sup></b>	<b>Q1 – Q3 2020<sup>2)</sup></b>
Combined Ratio, Underlying Business (APM)	78.6%	77.3%
Weather-related claims, Net of Reinsurance (APM)	0%	0.1%
Major claims, Net of Reinsurance (APM)	13.4%	21.7%
Run-off result, claims	-4.6%	-13.9%
Change in risk margin, run-off result and current year	2.2%	4.9%
<b>Combined ratio</b>	<b>89.7%</b>	<b>90.2%</b>

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Condensed Financial Statements

### 11.8.3 Personal segment

The technical result amounted to a profit of DKK 335 million in Q1 – Q3 2021 against a profit of DKK 235 million in Q1 – Q3 2020.

The profit/loss and key figures for Q1 – Q3 2021 compared to Q1 – Q3 2020 for Codan Denmark's personal segment is set out in the table below.

A small decline in gross premium income was recorded in 2021 compared to 2020 in the personal segment due to reduced activity in the market following the COVID-19 Measures. However, Privatsikring continued to show strong growth in 2021 as has been the case since the foundation of Privatsikring in 1999.

**Table no. 58 – Codan Denmark's technical result and key figures for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020, personal segment**

	<b>Q1 – Q3 2021<sup>1)</sup></b>	<b>Q1 – Q3 2020<sup>2)</sup></b>
	<b>(DKKm)</b>	
Gross premium income	1,624	1,634
Gross claims incurred	-810	-1,028
Gross operating expenses	-458	-370
Profit/loss on gross business	356	236
Profit/loss from reinsurance	-21	-1
<b>Technical result</b>	<b>335</b>	<b>235</b>
Run-off result, claims	138	32
Run-off result, risk margin (APM)	32	24
Gross claims ratio (%)	49.9	62.9
Net reinsurance ratio (%)	1.3	0.1
<b>Claims Experience Ratio (%) (APM)</b>	<b>51.2</b>	<b>63.0</b>
Gross expense ratio (%)	28.2	22.6
<b>Combined Ratio (%)</b>	<b>79.4</b>	<b>85.6</b>

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed combined Carve-Out Interim Condensed Financial Statements



### *Gross premium income*

The Codan brand had a modest fall in gross premium income from Q1 – Q3 2020 (DKK 1,634 million) to Q1 – Q3 2021 (DKK 1,624 million) as 2021 was impacted by a full year-to-date of COVID-19 related changed customer behaviour e.g., less driving and closed car show rooms leading to less new car sales. That lead to lower sales of insurance for new cars which was a significant change compared to 2020 where no such effect was present in the beginning of the year.

### *Gross claims incurred*

Gross claims incurred were improved in Q1 – Q3 2021 to DKK 810 million (Q1 – Q3 2020: DKK 1,028 million) driven in part by frequency benefits following COVID-19 as well as a sound loss performance, with significant improvements to the underlying loss ratio in the Privatsikring segment.

### *Run-off result*

Q1 – Q3 2021 showed a positive run-off result driven by gains from the Household and PA insurance business classes

### *Gross operating expenses*

In relation to gross operating expenses, expenses increased in Q1 – Q3 2021 to DKK 458 million (Q1 – Q3 2020: DKK 370 million) as a result of investments in strategic partnerships.

### *Combined ratio*

The combined ratio was of 79.4% of Q1 – Q3 2021 (Q1 – Q3 2020: 85.6%) was favourably impacted by strong underlying loss improvements, as well as run-off gains.

The Combined Ratio, Underlying Business (APM) was 88.2% in 2021, marking a 1.3 percentage point deterioration relative to 2020. The trend in the combined ratio and the The Combined Ratio, Underlying Business (APM) is primarily due to an increase in commissions as well as expenses following investments in a strategic partnership, as well as less COVID benefits, offset by improvements in underlying loss ratios.

**Table no. 59 – Combined ratio for the period Q1 – Q3 2021 compared to the period Q1 – Q3 2020 for Codan Denmark, personal segment**

	<b>Q1 – Q3 2021<sup>1)</sup></b>	<b>Q1 – Q3 2020<sup>2)</sup></b>
Combined Ratio, Underlying Business (APM)	88.2%	86.9%
Weather-related claims, net of reinsurance (APM)	0.0%	0.2%
Major claims, Net of Reinsurance (APM)	0.2%	0.3%
Run-off result, claims	-8.5%	-2.0%
Change in risk margin, run-off result and current year	-0.5%	0.2%
<b>Combined ratio</b>	<b>79.4%</b>	<b>85.6%</b>

<sup>1)</sup> Derived from the unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements

<sup>2)</sup> Derived from the unaudited and not reviewed Combined Carve-Out Interim Condensed Financial Statements

#### **11.8.4 Further information**

For further information about the financial results for Codan Denmark for the period Q1 – Q3 2021 and the period Q1 – Q3 2020, see Part IV, section 2 – "Codan Denmark Combined Carve-Out Interim Condensed Financial Statements for the Financial period ended 30 September 2021".

For further information about the financial results for Codan Denmark for the financial year ended 31 December 2020 and the financial year ended 31 December 2019, see Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" and Part I, section 11.9 – "Operating and financial review of Codan Denmark" – "Financial results for the financial year 2020 compared to the financial year 2019".

### **11.9 Financial results for the financial year 2020 compared to the financial year 2019**

#### **11.9.1 Codan Denmark financial results**

Codan Denmark generated a profit before tax of DKK 554 million in 2020 against a loss before tax of DKK -156 million in 2019.

The technical result amounted to DKK 594 million in 2020, against DKK -251 million in 2019.

Codan Denmark's profit/loss and key figures for the financial year 2020 compared to the financial year 2019 are set out in the table below. The 2020 performance was improved due to the profitability improvement programme which focus on reducing major claims and improving the rate strength in the book. In addition, COVID-19 and associated society restrictions and regulations resulted in reduced claims frequency in parts of the book from where lock down has resulted in e.g., less driving and lower frequency of motor claims.

Premiums were negatively impacted in 2020 by effects from the profitability improvement programme, including rate and portfolio actions, which limited growth in the commercial segment in 2020. The profitability improvement programme started in 2019 and has hence had an impact on both top line (negatively) and profitability (positively) throughout the Periods Under Review.

**Table no. 60 – Codan Denmark's profit/loss and key figures for the financial year 2020 compared to the financial year 2019**

	Year ended 31 December	
	2020	2019
	(DKKm)	
Gross premium income	5,375	5,801
Gross claims	-3,703	-4,691
Total insurance operating costs	-1,113	-1,144
Profit/loss on gross business	559	-34
Profit/loss on ceded business	35	-217
<b>Technical result</b>	<b>594</b>	<b>-251</b>
Interest and dividends, net <sup>1)</sup>	215	287
Value adjustments	-102	31
Investment management expenses	-30	-26
Return on insurance provisions	-120	-197
<b>Total investment return after insurance technical interest</b>	<b>-37</b>	<b>95</b>
<b>Other costs</b>	<b>-3</b>	<b>0</b>
<b>Profit/loss before tax</b>	<b>554</b>	<b>-156</b>
Tax	-85	37
<b>Profit/loss for the year</b>	<b>469</b>	<b>-119</b>
Run-off result, net of reinsurance	550	168
Run-off result, risk margin (APM)	175	81
Gross claims ratio	68.9%	80.9%
Net reinsurance ratio	-0.7%	3.7%
<b>Claims Experience Ratio (APM)</b>	<b>68.2%</b>	<b>84.6%</b>
Gross expense ratio	20.7%	19.7%
<b>Combined Ratio</b>	<b>88.9%</b>	<b>104.3%</b>
Combined Ratio Excluding Run-off Result (APM)	102.4%	108.6%

<sup>1)</sup> Comprise of interest income, dividends and interest expenses.

#### *Gross premium income*

The gross premium decreased from DKK 5,801 million in 2019 to DKK 5,375 million in 2020. The reduction in gross premium income in 2020 was driven by continued focus on the profitability improvement programme in the commercial segment with pruning actions and effects of the COVID-19 pandemic and less market activity.

#### *Gross claims*

Gross claims incurred fell from DKK -4,691 million in 2019 to DKK -3,703 million in 2020. This was driven by targeted actions to improve performance with reduction in the gross claims ratio from 80.9% in 2019 to 68.9% in 2020. The gross claims ratio benefited in 2020 from favourable developments on claims registered in 2018 and 2019. In addition, fewer claims relating to motor

insurance products were made in 2020 compared to 2019 in the Personal segment due to the partly closure of the society in Denmark as a part of the COVID-19 Measures.

The run-off result was positively impacted in 2020 by releases on several major claim cases in the commercial property lines including the technical lines segments as well as favourable gains from the motor insurance business. A positive major claims development was improved from optimised claims handling derived from Codan's claims savings programme. In 2019, the run-off result was partly offset by strengthening of reserves within the business line workers compensation.

In 2020, the weather-related claims were impacted by one weather event in Denmark where a cloudburst in August 2020 flooded areas in Northern Zealand and Jutland. As 2019 did not experience any major weather events, the weather-related claims in 2020 were slightly higher than in 2019.

In relation to major claims (single claims or claims events gross above DKK 5 million), initiatives were put in place during 2019 to improve Codan Denmark's performance, including actions to reduce major claims exposure and targeted exits from certain lines of business, e.g., the grid-to-grid business (subsea cables connected to power conductors on each shoreline) and municipality business, as well as pruning of selected clients and segments, with a favourable impact showing less major claims experience in 2020.

#### *Total insurance operating costs*

The total insurance operating costs decreased from DKK -1,144 million in 2019 to DKK -1,113 million in 2020. The higher expenses in 2019 was due to Codan Forsikring A/S' strategic investments in its claims platform and policy system in 2019 to support a digital transformation, including enhanced automation, with the intention of enhancing customer service.

#### *Combined ratio*

The combined ratio fell from 104.3% in 2019 to 88.9% in 2020. This was mainly driven by increased profitability through an implemented profitability improvement programme, which focus on major claims reduction, in addition to a favourable impact from COVID-19 claims patterns and favourable run-off gains from major claims within the commercial segment.

The Combined Ratio, Underlying Business (APM) was 82.4% in 2020, marking a 5.8 percentage point improvement relative to 2019. The trend in the Combined Ratio, Underlying Business (APM) is primarily due to fewer claims and the corresponding frequency benefits following the closure of society in the wake of COVID-19.

**Table no. 61 – Combined ratio for 2020 compared to 2019 for Codan Denmark**

	<b>2020</b>	<b>2019</b>
	<b>(DKKm)</b>	
Combined Ratio, Underlying Business (APM)	82.4%	88.2%
Weather-related claims, Net of Reinsurance (APM)	0.3%	0.1%
Major claims, Net of Reinsurance (APM)	13.8%	14.6%
Run-off result, claims	-10.2%	-2.9%
Change in risk margin, run-off result and current year	2.6%	4.3%
<b>Combined ratio</b>	<b>88.9%</b>	<b>104.3%</b>

### 11.9.2 Commercial segment

The technical result amounted to a profit of DKK 208 million in 2020, against a loss of DKK -512 million in 2019.

The profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for Codan Denmark's commercial segment are set out in the table below.

Underlying profitability improved significantly due to the profitability improvement programme and review of major claims. The top line of Codan Denmark's commercial segment was negatively impacted as a consequence of the profitability improvement programme and associated pruning activities.

**Table no. 62 – Codan Denmark's technical result and key figures for the financial year 2020 compared to the financial year 2019, commercial segment**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>(DKKm)</b>	
Gross premium income	3,201	3,553
Gross claims incurred	-2,425	-3,217
Gross operating expenses	-612	-663
Profit/loss on gross business	164	-327
Profit/loss on reinsurance	44	-185
<b>Technical result</b>	<b>208</b>	<b>-512</b>
Run-off result, claims	461	162
Run-off result, risk margin (APM)	140	58
Gross claims ratio (%)	75.8	90.5
Net reinsurance ratio (%)	-1.4	5.2
<b>Claims Experience Ratio (%) (APM)</b>	<b>74.4</b>	<b>95.8</b>
Gross expense ratio (%)	19.1	18.7
<b>Combined Ratio (%)</b>	<b>93.5</b>	<b>114.4</b>

### *Gross premium income*

The reduction in Codan Denmark's gross premium income from 2019 (DKK 3,553 million) to 2020 (DKK 3,201 million) was largely driven by a profitability improvement programme where unprofitable business lines were exited.

The business line "technical lines" showed growth from 2019 to 2020 due to a hardening rate environment and Codan Denmark's strong brand in renewables and sustainability.

### *Gross claims incurred*

An extensive profitability improvement programme was launched for Codan Denmark's commercial lines at the end of 2019 which has resulted in improving both underlying and major claims (single claims or claims events gross above DKK 5 million) performance. In addition to existing lines with less profitability, the improvement plan focused on improving customer rate adequacy and better knowledge sharing across commercial lines functions.

Initiatives were also put in place to improve performance in 2019, including actions to reduce/limit major claims exposure and targeted exits from certain lines of business. Further, the Grid-to-Grid business (subsea cables connected to power conductors on each shoreline) and municipality business were exited, as well as tracking of major claims was improved and selected clients and segments were pruned. This combined with improved re-insurance cover supported a significant improvement from 2019 to 2020.

### *Run-off result*

The run-off result was positively impacted in 2020 by releases on several major claims cases (single claims or claims events gross above DKK 5 million) in the commercial line and technical lines segments. A positive major claims development was improved from optimised claims handling derived from Codan Denmark's claims savings programme. In 2019, the run-off result was adversely impacted by strengthening of reserves within workers compensation.

### *Gross operating expenses*

Gross operating expenses decreased from DKK 663 million in 2019 to DKK 612 million following less business volume.

### *Combined ratio*

The combined ratio improved from 114.4% in 2019 to 93.5% in 2020 driven by a significant positive impact from the profitability improvement programme and focus on exposure and reduction of major claims (single claims or claims events gross above DKK 5 million) as well as beneficial run-off gains from prior years' major claims. Underlying losses improved providing a healthy foundation as a result from the profitability improvement programme.

The Combined Ratio, Underlying Business (APM) was 80.0% in 2020, marking an 8.4 percentage point improvement relative to 2019. The trend in the Combined Ratio, Underlying Business

(APM) is primarily due to improvement in the underlying loss ratio following targeted underwriting action through the profitability improvement programme which significantly improved performance overall and particularly in the property segment as well as commercial motor, where the latter was also assisted by frequency benefits following the closure of society due to COVID-19.

**Table no. 63 – Combined ratio for 2020 compared to 2019 for Codan Denmark, Commercial segment**

	<b>2020</b>	<b>2019</b>
	<b>(DKKm)</b>	
Combined Ratio, Underlying Business (APM)	80.0%	88.4%
Weather-related claims, net of reinsurance (APM)	0.3%	0.1%
Major claims, Net of Reinsurance (APM)	23.1%	23.6%
Run-off result, claims	-14.4%	-4.6%
Change in risk margin, run-off result and current year	4.5%	6.9%
<b>Combined ratio</b>	<b>93.5%</b>	<b>114.4%</b>

### 11.9.3 Personal segment

The technical result amounted to a profit of DKK 386 million in 2020 against a profit of DKK 261 million in 2019.

The profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for Codan Denmark's personal segment is set out in the table below.

A small decline in gross premium income was recorded in 2020 compared to 2019 in the personal segment due to reduced activity in the market following the COVID-19 Measures. However, Privatsikring continued to show strong growth in 2020 as has been the case since the foundation of Privatsikring in 1999.

**Table no. 64 – Codan Denmark's technical result and key figures for the financial year 2020 compared to the financial year 2019, personal segment**

	Year ended 31 December	
	2020	2019
	(DKKm)	
Gross premium income	2,174	2,248
Gross claims incurred	-1,278	-1,474
Gross operating expenses	-501	-481
Profit/loss on gross business	395	293
Profit/loss on reinsurance	-9	-32
<b>Technical result</b>	<b>386</b>	<b>261</b>
Run-off result, gains/losses, net of reinsurance	89	6
Run-off result, risk margin (APM)	35	23
Gross claims ratio (%)	58.8	65.6
Net reinsurance ratio (%)	0.4	1.4
<b>Claims Experience Ratio (%) (APM)</b>	<b>59.2</b>	<b>67.0</b>
Gross expense ratio (%)	23.0	21.4
<b>Combined Ratio (%)</b>	<b>82.2</b>	<b>88.4</b>

#### *Gross premium income*

The Codan brand had a modest decrease in gross premium income from 2019 (DKK 2,247 million) to 2020 (DKK 2,174 million) as 2020 was impacted by COVID-19 related changed customer behaviour e.g., less driving and closed car show rooms leading to less new car sales. That lead to lower sales of insurance for new cars which was a significant change compared to 2019 where no such effect was present.

Privatsikring recorded growth in bancassurance from 2019 to 2020. Growth was primarily driven by partnerships with 40+ regional banks providing access to approximately 25% of Codan Denmark's banking customers.

#### *Gross claims incurred*

Gross claims incurred were improved in 2020 to DKK 1,278 million (2019: DKK 1,474 million) driven in part by frequency benefits following COVID-19 as well as a sound loss performance.

#### *Run-off result*

2020 showed a positive run-off result driven by gains from the motor insurance business.

#### *Gross operating expenses*

In relation to gross operating expenses, expenses increased modestly in 2020 to DKK 501 million (2019: DKK 481 million) as a result of investments in digitisation and automation.



### *Combined ratio*

The Combined Ratio, Underlying Business (APM) was favourably impacted by strong underlying loss improvements, further fuelled by COVID-19 related frequency benefits in the motor segment as well as run-off gains.

The Combined Ratio, Underlying Business (APM) was 86.0% in 2020, marking a 1.9 percentage point improvement relative to 2019. The trend in the Combined Ratio, Underlying Business (APM) is primarily due to frequency benefits in the Personal Motor segment following COVID-19 restrictions as well as good performance in the contents segment of household.

**Table no. 65 – Combined ratio for 2020 compared to 2019 for Codan Denmark, personal segment**

	<b>2020</b>	<b>2019</b>
	<b>(DKKm)</b>	
Combined Ratio, Underlying Business (APM)	86.0%	87.9%
Weather-related claims, net of reinsurance (APM)	0.3%	0.1%
Major claims, Net of Reinsurance (APM)	0.2%	0.3%
Run-off result, claims	-4.1%	-0.3%
Change in risk margin, run-off result and current year	-0.1%	0.4%
<b>Combined ratio</b>	<b>82.2%</b>	<b>88.4%</b>

#### **11.9.4 Further information**

For further information about the financial results for Codan Denmark for the financial year ended 31 December 2020 and the financial year ended 31 December 2019, see Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" and Part I, section 11.9 – "Operating and financial review of Codan Denmark" – "Financial results for the financial year 2020 compared to the financial year 2019".

#### **11.10 Financial results for the financial year 2019 compared to the financial year 2018**

##### **11.10.1 Codan Denmark results**

Codan Denmark generated a loss before tax of DKK -156 million in 2019 against a pre-tax profit of DKK 177 million in 2018.

The technical result amounted to DKK -251 million in 2019, against DKK 84 million in 2018.

Codan Denmark's profit/loss and key figures for the financial year 2019 compared to the financial year 2018 are set out in the table below.

The profitability was impacted by major claims (single claims or claims events gross above DKK 5 million) from Grid-to-Grid (subsea cables connected to power conductors on each shoreline)

and municipality losses, which both were exited segments following the profitability improvement programme that in turn has reduced premiums through pruning of these unprofitable segment.

**Table no. 66 – Codan Denmark's profit/loss and key figures for the financial year 2019 compared to the financial year 2018**

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>(DKKm)</b>	
Gross premium income	5,801	6,030
Gross claims	-4,691	-4,470
Total insurance operating costs	-1,144	-1,132
Profit/loss on ceded business	-217	-343
<b>Technical result</b>	<b>-251</b>	<b>85</b>
Interest and dividends, net <sup>1)</sup>	287	289
Value adjustments	31	-137
Investment management expenses	-26	-29
Return on insurance provisions	-197	-31
<b>Total investment return after insurance technical interest</b>	<b>95</b>	<b>92</b>
<b>Profit/loss before tax</b>	<b>-156</b>	<b>177</b>
Tax	37	-18
<b>Profit/loss for the year</b>	<b>-119</b>	<b>159</b>
Run-off result, net of reinsurance	168	159
Run-off result, risk margin (APM)	81	135
Gross claims ratio (%)	80.9	74.1
Net reinsurance ratio (%)	3.7	5.7
<b>Claims Experience Ratio (%) (APM)</b>	<b>84.6</b>	<b>79.8</b>
Gross expense ratio (%)	19.7	18.8
<b>Combined Ratio (%)</b>	<b>104.3</b>	<b>98.6</b>

<sup>1)</sup> comprise of interest income, dividends and interest expenses

#### *Gross premium income*

Gross premium income decreased from DKK 6,030 million in 2018 to DKK 5,801 million in 2019 as a consequence of the profitability improvement programme started in 2019 within the commercial lines of Codan Denmark with adequate growth in targeted segments within commercial property and technical lines.

#### *Gross claims*

The underlying business performance in 2019 was overall in line with 2018.

However, gross claims ratio deteriorated by 6.8 percentage points mainly attributable to major claims (single claims or claims events gross above DKK 5 million) within the Grid-to-Grid business (subsea cables connected to power conductors on each shoreline) and municipality business as both portfolios were later addressed in the profitability improvement programme.

#### *Run-off result*

In 2019, the run-off result was adversely impacted by strengthening of reserves in the workers compensation business although the result was generally in line with the 2018 run-off result.

#### *Total insurance operating costs*

Total insurance operating costs increased modestly from DKK 1,132 million in 2018 to DKK 1,144 million in 2019 because of investments in digitisation and automation.

#### *Combined ratio*

The combined ratio was adversely impacted by the deterioration of the gross claims ratio mainly stemming from major claims (single claims or claims events gross net of reinsurance above DKK 5 million) within the Grid-to-Grid business (subsea cables connected to power conductors on each shoreline) and municipality business, both segments were subsequently exited as part of the profitability improvement programme. In 2019, the combined ratio amounted to 104.3% compared to 98.6% in 2018.

The Combined Ratio, Underlying Business (APM) was 88.2% in 2019, marking a 3.6 percentage point deterioration relative to 2018. The development in the Combined Ratio, Underlying Business (APM) is primarily due to investments in future profitability, which increased expenses and lowered premium income in the year.

**Table no. 67 – Combined ratio for 2019 compared to 2018 for Codan Denmark**

	<b>2019</b>	<b>2018</b>
	<b>(DKKm)</b>	
Combined Ratio, Underlying Business (APM)	88.2%	84.6%
Weather-related claims, net of reinsurance (APM)	0.1%	0.0%
Major claims, Net of Reinsurance (APM)	14.6%	13.7%
Run-off result, claims	-2.9%	-2.6%
Change in risk margin, run-off result and current year	4.3%	2.9%
<b>Combined ratio</b>	<b>104.3%</b>	<b>98.6%</b>

#### **11.10.2 Commercial segment**

The technical result amounted to a profit of DKK 512 million in 2019 against a loss of DKK -185 million in 2018.

The profit/loss and key figures for the financial year 2020 compared to the financial year 2019 for Codan Denmark's Commercial segment are set out in the table below.

**Table no. 68 – Codan Denmark's technical result and key figures for the financial year 2019 compared to the financial year 2018, commercial segment**

	Year ended 31 December	
	2019	2018
	(DKKm)	
Gross premium income	3,553	3,745
Gross claims incurred	-3,217	-2,971
Gross operating expenses	-663	-650
Profit/loss on gross business	-327	124
Profit/loss on reinsurance	-185	-307
<b>Technical result</b>	<b>-512</b>	<b>-183</b>
Run-off result, net of reinsurance	162	142
Run-off result, risk margin (APM)	58	107
Gross claims ratio (%)	90.5	79.3
Net reinsurance ratio (%)	5.2	8.2
<b>Claims Experience Ratio (%) (APM)</b>	<b>95.8</b>	<b>87.5</b>
Gross expense ratio (%)	18.7	17.4
<b>Combined Ratio (%)</b>	<b>114.4</b>	<b>104.9</b>

#### *Gross premium income*

Gross premium income for Codan Denmark's commercial lines decreased from DKK 3,745 million in 2018 to DKK 3,553 million in 2019 as a consequence of a profitability improvement programme launched in 2019.

#### *Gross claims*

The gross claims ratio deteriorated by 11.1 percentage points mainly attributable to large and underlying losses within Grid-to-Grid subsea cables and municipality business. Both segments were exited as part of the strategic review of the Codan DK Business. Weather was generally very benign in 2019, in line with the prior year.

#### *Run-off result*

In 2019, the run-off result was adversely impacted by a strengthening of reserves in the workers compensation business although it was generally in line with the 2018 run-off result.

#### *Gross operating expenses*

Gross operating expenses increased modestly from DKK 650 million in 2018 to DKK 663 million in 2019 due to investments in digitisation and automation.

### *Combined ratio*

The combined ratio increased from 104.9% in 2018 to 114.4% in 2019 mainly attributable to large claim inflow in the grid-to-grid business (subsea cables connected to power conductors on each shoreline) and the municipality business.

The Combined Ratio, Underlying Business (APM) was 88.4% in 2019, marking a 6.1 percentage point deterioration relative to 2018. The development in the Combined Ratio, Underlying Business (APM) is primarily due to adverse performance in the segments targeted by the profitability improvement programme, which were exited in order to provide better profitability in the coming years.

**Table no. 69 – Combined ratio for 2019 compared to 2018 for Codan Denmark, Commercial segment**

	<b>2019</b>	<b>2018</b>
Combined Ratio, Underlying Business (APM)	88.4%	82.3%
Weather-related claims, net of reinsurance (APM)	0.1%	0.0%
Major claims, Net of Reinsurance (APM)	23.6%	21.8%
Run-off result, claims	-4.6%	-3.8%
Change in risk margin, run-off result and current year	6.9%	4.7%
<b>Combined ratio</b>	<b>114.4%</b>	<b>104.9%</b>

### **11.10.3 Personal segment**

The technical result amounted to a profit of DKK 261 million in 2019, against a profit of DKK 268 million in 2018.

The profit/loss and key figures for the financial year 2019 compared to the financial year 2018 for Codan Denmark's personal segment is set out in the table below.

**Table no. 70 – Codan Denmark's technical result and key figures for the financial year 2019 compared to the financial year 2018, personal segment**

	Year ended 31 December	
	2019	2018
	(DKKm)	
Gross premium income	2,248	2,285
Gross claims incurred	-1,474	-1,499
Gross operating expenses	-481	-482
Profit/loss on gross business	293	304
Profit/loss from reinsurance	-32	-36
<b>Technical result</b>	<b>261</b>	<b>268</b>
Run-off result, net of reinsurance	6	16
Run-off result, risk margin (APM)	23	28
Gross claims ratio (%)	65.6	65.6
Net reinsurance ratio (%)	1.4	1.6
<b>Claims Experience Ratio (%) (APM)</b>	<b>67.0</b>	<b>67.2</b>
Gross expense ratio (%)	21.4	21.1
<b>Combined Ratio (%)</b>	<b>88.4</b>	<b>88.3</b>

#### *Gross premium income*

In 2019, there was a slight fall in gross premium income from DKK 2,285 million in 2018 to DKK 2,248 million in 2019, which mainly was a result of the development in the personal lines of Codan Denmark as an effect of focusing on improving profitability.

Privatsikring recorded growth in bancassurance from 2018 to 2019. Growth was primarily driven by partnerships with 40+ regional banks providing access to approximately 25% of Codan Denmark's banking customers.

#### *Gross claims incurred*

Gross claims incurred decreased slightly from DKK 1,499 million in 2018 to DKK 1,474 million in 2019. Personal lines generally showed improvement in underlying claims between 2018 and 2019 driven by strong performance in the household line. Major claims (single claims or claims events gross above DKK 5 million) and weather events in 2019 were broadly in line with 2018 and performed at a desired level of profitability.

#### *Run-off result*

In line with the property and casualty market, 2018 had benefitted from significant run-off gains from motor which normalised in 2019.

### *Gross operating expenses*

Gross operating expenses were almost the same in 2018 and 2019 with increased focus on digitalisation and automation. *Gross operating expenses* amounted to DKK 481 million in 2019 and DKK 482 million in 2018.

### *Combined ratio*

The combined ratio remained almost unchanged from 2018 (88.3%) to 2019 (88.4%) demonstrating a sustainable level with healthy incremental improvements in underlying losses.

The Combined Ratio, Underlying Business (APM) was 87.9% in 2019, marking a 0.4 percentage point improvement relative to 2018. The trend in the Combined Ratio, Underlying Business (APM) is primarily due to a slight increase in commissions and claims handling cost, but overall, the performance was very stable for personal lines.

**Table no. 71 – Combined ratio for 2019 compared to 2018 for Codan Denmark, personal segment**

	2019	2018
Combined Ratio, Underlying Business (APM)	87.9%	88.3%
Weather-related claims, net of reinsurance (APM)	0.1%	0.0%
Major claims, net of reinsurance (APM)	0.3%	0.6%
Run-off result, claims	-0.3%	-0.7%
Change in risk margin, run-off result and current year	0.4%	0.1%
<b>Combined ratio</b>	<b>88.4%</b>	<b>88.3%</b>

#### **11.10.4 Further information**

For further information about the financial results for Codan Denmark for the financial year ended 31 December 2019 and the financial year ended 31 December 2018, see Part IV, section IV – "Codan Denmark Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" and Part I, section 11.9 – "Operating and financial review of Codan Denmark" – "Financial results for the financial year 2019 compared to the financial year 2018".

#### **11.11 Liquidity and capital resources**

Codan Denmark's principal sources of funds are insurance premiums, income from investment assets (including interest) and gains on investment assets. The principal cash requirements of Codan Denmark are the payment of expenses, including payment of claims and employee related costs, the payment of dividends to shareholders and the servicing of debt.

Codan Denmark generates substantial cash flow from operations. These positive operating cash flows, along with that its investment portfolio held in cash and highly liquid securities, have historically met the liquidity requirements of its insurance operations. As of 30 September 2021, Codan Denmark had cash in hand and balances at call of DKK 461 million (DKK 425 million as

of 30 September 2020) against DKK 486 million by 31 December 2020 (2019: DKK 314 million; 2018: DKK 146 million). In addition, Codan Denmark has a substantial portfolio of investment assets, comprising Danish and international bonds, equity investments and units in open-ended funds and a small amount of loans and other investment assets.

#### 11.11.1 Cash flows

The liquidity of Codan Denmark's insurance operations is affected by the frequency and severity of losses under its policies. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for its general insurance operations. Codan Forsikring's investment department monitors and manages liquidity based on the liquidity requirement for Codan Forsikring. The objective of the investment function is to ensure that liquidity is at all times sufficient to support operations and comply with the statutory requirements. Compliance with liquidity requirements is ensured through internally defined limits. The liquidity management is determined on the basis of a conservative risk profile ensuring that there are adequate liquidity resources to continually ensure that Codan Denmark will at any given time have the liquidity required to cover day-to-day operations.

In addition, Codan Denmark's reinsurance programme helps protecting that a single loss event or a random accumulation of major claims does not lead to an unacceptable loss of capital and, moreover, to reduce fluctuations in technical results.

Codan Denmark's operations generate cash flow as a result of the receipt of premiums in advance of the time when claim payments are required. The cash flow from operating activities was in Q1 – Q3 2021 DKK 806 million against DKK 590 million in 2020 (2019: DKK 442 million; 2018: DKK 814 million). The liquidity requirements of Codan Denmark's insurance operations are met on both short-term and long-term basis by funds provided by insurance premiums collected, income from investment assets and collected reinsurance receivables, and from the sale and maturity of investments.

The table below shows Codan Denmark's cash flows for Q1 – Q3 2021 and the financial years ended 31 December 2020, 2019, and 2018.

**Table no. 72 – Codan Denmark's cash flows**

<b><u>DKKm</u></b>	<b><u>Q1 - Q3</u></b>	<b><u>Year Ended 31 December</u></b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Cash from operating activities</b>				
Premiums	4,297	5,451	5,592	5,760
Changes in insurance debtors	134	43	53	11
Claims paid	-2,677	-3,832	-4,232	-3,854
Change in insurance payables	-25	-79	85	101
Ceded business	-229	-256	-330	-306
Change in reinsurance receivables/payables	14	-37	-49	-14
Costs	-896	-1,115	-1,132	-1,136
Depreciation and amortisation	106	165	182	121
Change in other debt and other amounts receivable	-63	22	0	-134



<b>DKKm</b>	<b>Q1 - Q3</b>	<b>Year Ended 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from / used in insurance activities</b>	<b>661</b>	<b>362</b>	<b>169</b>	<b>549</b>
Interest received	199	235	306	301
Interest paid	-45	-6	-13	-21
Income taxes paid	-9	-1	-20	-15
<b>Cash flows from operating activities</b>	<b>806</b>	<b>590</b>	<b>442</b>	<b>814</b>
<b>Investment</b>				
Purchase of equity investments and unit trust	-130	-258	-131	-456
Sale of equity investments and unit trust	165	96	234	326
Purchase of bonds	-7,155	-3,074	-3,694	-3,259
Sale of bonds	8,364	3,243	3,927	3,365
Purchase of Other loans and other investment assets	-87	-201	-2,325	0
Sale of Other loans and other investment assets <sup>1)</sup>	-28	279	2,080	0
Acquisition of intangible assets	-7	-22	-38	-76
<b>Cash flows from / (used in) investments</b>	<b>1,122</b>	<b>63</b>	<b>53</b>	<b>-100</b>
<b>Financing</b>				
Net dividends/transfers to/from RSA	-481	-500	142	-400
Branch capitalisation	-	-208	287	286
Change in amounts owed to/from related parties	-1,333	-819	-224	-1,120
Lease payments	-39	-54	-62	0
Repayment of loans by related parties	500	500	0	0
Proceeds from credit institutions	0	705	1,664	3,551
Repayments to credit institutions	-600	-105	-2,134	-3,331
<b>Cash flows from / (used in) financing</b>	<b>-1,953</b>	<b>-481</b>	<b>-327</b>	<b>-1,014</b>
<b>Change in cash and cash equivalents</b>	<b>-25</b>	<b>172</b>	<b>168</b>	<b>-300</b>
Cash and cash equivalents 1 January	486	314	146	446
<b>Cash and cash equivalent 31 December/30 September</b>	<b>461</b>	<b>486</b>	<b>314</b>	<b>146</b>

<sup>1)</sup> Comprises of Loss on sale of derivatives in the Combined Carve-Out Interim Condensed Cash Flow Statement for the nine months ended 30 September 2021

#### *Net cash flow from operating activities*

Net cash flow from operating activities consists primarily of receipts in the form of premiums and interest income and payments in the form of claim settlement costs, purchase of reinsurance, administrative expenses and taxes.

Net cash flow from operating activities was DKK 806 million in Q1 – Q3 2021 and DKK 590 million in 2020 compared to DKK 442 million in 2019 and DKK 814 million in 2018.

In 2020, premium plus changes in insurance debtors' payments decreased by DKK 151 million compared to 2019 while claims paid plus change in insurance payables decreased by DKK 236 million compared to 2019 and costs paid decreased by DKK 17 million compared to 2019.

#### *Net change in investment placement*

Total investments consist mainly of payments and disbursements in connection with Codan Denmark's bond, equity and infrastructure debt portfolio and the investment in intangible assets.

Codan Denmark recorded cash inflows from investments of DKK 1,122 million in Q1 – Q3 2021 and cash inflows of DKK 63 million in 2020 compared to cash inflows of DKK 53 million in 2019 and cash outflows of DKK 100 million in 2018. Total cash inflow from investment activities in 2020 were primarily comprised net of sales of bonds and other loans and other investment assets. In 2019, total cash inflow from investment activities were primarily comprised of net sale of bonds. Total cash outflow from investment activities in 2018 were primarily relating to net purchase of equities.

#### *Change in financing*

Total financing consists mainly of dividend payments, repayment of loans to group companies, lease payments and disbursements related to external debt financing, including repurchase transactions. Total cash outflow from financing activities was DKK 1,953 million in Q1 – Q3 2021 and cash outflow of DKK 481 million in 2020 compared to a cash outflow of DKK 327 million in 2019 and a cash outflow of DKK 1,014 million in 2018. The increase in total cash inflow from financing activities from 2019 to 2020 was driven by net debt to credit institutions and net dividend / transfers to / from RSA, and a positive repurchase position compared to 2019 and settlement of intercompany loans as part of the continued capital optimisation process following the United Kingdom's exit from the European Union notwithstanding the increase in the payment of dividends in 2020 compared to 2019. Codan Denmark recorded changes in amounts owed to credit institutions of DKK -470 million and DKK 220 million for 2019 and 2018, respectively, also reflecting changes to its repurchase position.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and balances at call only.

### **11.11.2 Intangible assets**

Codan Denmark's intangible assets were DKK 615 million as of 30 September 2021 and DKK 622 million as of 31 December 2020 (2019: DKK 659 million; 2018: DKK 741 million) consisting of goodwill and customer lists, software and development projects.

### **11.11.3 Sources of liquidity and capital**

Codan Denmark's net parent investment was DKK 4,810 million as of 30 September 2021 and DKK 3,451 million as of 31 December 2020 (2019: DKK 3,714 million; 2018: DKK 3,375 million), consisting of equity.

Codan Denmark expects that it will be able to fund its cash requirements relating to its existing operations from its existing sources of cash.

The investment portfolio is generally materially above Codan Forsikring's policy requiring sufficient liquid resources to liquidate at least 30% of the value of the aggregate investment portfolio within 20 days. A majority of the investment assets are placed in short-term bonds matching the provisions relating to property and casualty insurance.

#### **11.11.4 Solvency II**

Capital management's role and responsibility is to govern, monitor and oversee capital resources ensuring that these are within the relevant risk appetite and meet appropriate regulatory/accounting rules and guidelines. This includes the calculation, estimation and forecasting of capital resources and SCRs such as available and eligible own funds. Capital and solvency are managed through a governance framework including methodology validation, monitoring and reporting processes. The assessments of how much risk to assume and how much capital to hold are inextricably linked.

##### **Solvency**

Regulatory solvency requirements are generally only applicable to groups or solo legal entities and not individual business units. During the Periods Under Review, Codan Denmark was not a stand-alone group of legal entities and as such were not subject to solvency requirements. Scandi JV Co, Codan A/S and their subsidiaries were subject to such solvency requirements and the discussion below relates to these legal entities.

Codan A/S is subject to the rules governing intermediate insurance holding companies and bases its capital management approach on these rules. The rules stipulate that as of 1 January 2016 when Solvency II became effective, SCRs and own funds do not apply for intermediate insurance holding companies when the ultimate parent is based in the European Union. As of 1 January 2021, following the end of the Brexit transitional arrangements, RSA Insurance Group plc was replaced by Codan A/S as the ultimate parent undertaking for the RSA Scandinavia legal entities in the EU. Following the acquisition of RSA Scandinavia, in June 2021, by Intact and Tryg, Scandi JV Co became the ultimate parent undertaking and with effect from September 2021 consolidated Solvency Reporting applied.

To ensure entities within RSA Scandinavia are adequately capitalised, the boards of directors of these entities and its subsidiaries have defined capital measures which are regularly monitored. Under Solvency II, a regulated entity may apply for approval to use an internal model to calculate its regulatory SCR provided that independent validation processes are established and used to ensure that the internal model is fit for purpose and achieves its objectives as defined by the business. The RSA Group's internal model was approved by the UK PRA in December 2015 and covers the Codan Forsikring and Privatsikring businesses.

In June 2019, the RSA Group, in collaboration with Codan Forsikring, made an application to its college of supervisors to implement major model changes to its internal model. This application was approved in December 2019. A similar application was made in June 2020 and approval for the 2020 major model changes was provided in December 2020. In preparation for Brexit, an application was made to the DFSA for approval to use the RSA Group's internal model as a separate Codan Forsikring internal model. This approval was provided in November 2019.

In 2020, the DFSA, following further application, approved Codan Forsikring's internal model to also cover the calculation of the Codan A/S', with its consolidated subsidiaries, SCR and incorporate the RSA Group 2019 and 2020 major model changes into these local models.

No application for including Scandi JV Co into the approved internal model has been made, instead "Method 2 (Alternative method): Deduction and aggregation method" has been used to assess the capital adequacy of the Scandi JV Co group from September 2021.

For capital management purposes, the internal model is used to assess and calculate SCRs and scenarios. The internal model is used to calculate the SCR and for performance review purposes capital allocations are derived from the model. The internal model is further used for assessing impact of major strategic decisions and updates to the operational plan. The internal model is tailored to Codan Forsikring and its subsidiaries and is continuously developed, which includes an annual re-parameterization. The internal model is a cash flow-based stochastic model, which models underwriting risk, reserving risk, catastrophe risk, counterparty risk, investment risk and operational risk. As well as being used to calculate the SCR, the internal model is also used to allocate capital to individual lines of business, help assess reinsurance purchases and evaluate the impact of strategic decisions.

Scandi JV Co, Codan A/S and its subsidiaries have been adequately capitalised during the Periods Under Review.

Codan Forsikring's solvency coverage (eligible own funds divided by SCR) was 166% at year-end 2020. The SCR increased from DKK 4,473 million at year-end 2018 to DKK 4,871 million at year-end 2019 to DKK 5,233 million at year-end 2020. The main driver of this change is a strengthening of the calibration of underwriting and reserving risk. In addition, there has been a slight increase in market risk following the inclusion of spread risk between asset and liabilities. The eligible own funds of Codan Forsikring were DKK 8,703 million at year-end 2020.

Codan Forsikring annually conducts an ORSA based on Solvency II principles. The ORSA requires that Codan Forsikring assesses all material risks that it is or may be exposed to and assess whether the SCR is reasonable and reflects its actual risk profile. The ORSA consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report. In addition, outputs of the internal model are used by the ORSA committee as an integral part of its decision making, to setting the risk appetite, adjusting investment exposure and hedges, reinsurance strategy, insurance portfolio risk assessment, and key strategic decisions such as disposals.

## **Solvency II SCR**

The SCR is the amount of funds that insurance and reinsurance companies are required to hold under the Solvency II regulation in order to have a 99.5% confidence they could survive the most extreme expected losses over the course of a year. Within the internal model adopted by Codan A/S and Codan Forsikring, with run-off on existing obligations and new business for one

year, the SCR is calculated as the capital required to withstand a worst-case scenario, defined as a once in every 200-year occurrence.

Scandi JV Co and its insurance subsidiaries calculate and monitor solvency across a variety of measures. Capital measures include accounting equity, own funds, and SCRs as set out in the DFSA's regulation and the Solvency II regulation. The SCR is calculated using the internal model for the Codan Forsikring insurance subsidiary, and is validated by, for example, sensitivity testing and stress & scenario testing. For the Danish insurance subsidiary, Privatsikring, the SCR has been calculated using the standard formula since January 2021.

Following the Demerger, the SCR of Chopin Forsikring is expected to be calculated using the standard formula.

## **11.12 Investment return**

### **Equity investments and open-ended funds**

Codan Denmark has investments in loan funds in which the underlying assets are primarily made up of loans in European commercial property companies. Codan Denmark's equity investments and units in open-ended funds amounted to DKK 883 million at 31 December 2020 (2019: DKK 783 million; 2018: DKK 851 million), equal to 7.5% (2019: 6.3%; 2018: 6.8%) of the total investment portfolio.

Codan Denmark's equity investments and units in open-ended funds generated a return of DKK -25 million in 2020 (2019: DKK 82 million; 2018: DKK -5 million). The negative return in 2020 was materially affected by unrealised losses on exchange-traded shares in property companies.

### **Bonds**

At 31 December 2020, bonds totalled DKK 10,084 million (2019: DKK 10,576 million; 2018: DKK 10,701 million) or 85.7% (2019: 84.7%, 2018: 85.2%) of Codan Denmark's total investment portfolio and had a duration of approximately 7.9 years.

The total return on the bond portfolio for 2020 was a gain of DKK 33 million (2019: DKK 143 million; 2018: DKK 83 million), equal to approximately 0.3% (2019: 1.3%; 2018: 0.8%).

For further details on the Group's investments, see Part I, section 7.9 – "Business overview of Codan Denmark" – "Investments".

## **11.13 Off-balance sheets arrangements**

Codan Denmark is cooperating with other insurers to provide joint cover of certain types of insurance risks. In addition to Codan Denmark's own share of such risks, Codan Denmark is jointly and severally liable for the other insurers' share of the insurance liabilities. In addition, Codan Denmark has signed contracts with external companies for the purpose of selling insurance products.

#### **11.14 Pensions**

Codan Denmark has entered into pension agreements and similar agreements with the majority of its employees. Pension obligations in Codan Denmark are generally fully funded.

In respect of defined contribution schemes, the employer is under an obligation to pay a defined contribution (e.g. a fixed amount or a fixed percentage of the salary). In a defined contribution scheme, the company does not bear the risk in relation to future developments in interest rates, inflation, mortality and disability. This is opposed to defined benefit schemes, where the employer is under an obligation to pay a defined benefit (e.g. a fixed amount or a percentage of the final salary).

#### **11.15 Related party transactions**

The related party transactions of the legal entities of Codan Denmark are described in Part I, section 17.2 – "Related party transactions" – "Details of related party transactions of the legal entities of Codan Denmark".

## 12. RISK MANAGEMENT

*This description of the Group's risk management contains a number of observations, judgments and estimates, especially in relation to the most material risks of the Group which are based on the Management's estimates and assessments. Investors should read this section in conjunction with more detailed information contained in the Prospectus, including the risk factors included in section "Risk Factors".*

### 12.1 Introduction

As a non-life and life insurance undertakings group, the Group is in the business of actively seeking risk with a view to adding value by managing it. The Group's risk management involves the assessment of a large number of risks affecting its activities.

The table below provides a sensitivity analysis as of 31 December 2020 of the most significant risks to which the 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.

**Table no. 73 – Sensitivity information for the Group as of 31 December 2020 (risk on shareholders' equity in case of specific events)**

<u>(DKKm)</u>	<u>Non-life In-</u>	<u>Life Insur-</u>	<u>Other</u>	<u>Total</u>	<u>% of</u> <u>share-</u> <u>holders'</u> <u>equity</u>
	<u>surance</u>	<u>ance</u>			
Interest rate increase of 1 percentage point	-141	-22	-25	-188	-3.6
Interest rate fall of 1 percentage point	16	13	16	45	0.9
Equity price fall of 15%	-56	0	-6	-62	-1.2
Fall in property prices of 15%	-7	0	0	-7	-0.1
Currency risk excl. EUR 25% decline	-63	0	-14	-77	-1.5
Spread widening of 1 percentage point	-229	-27	-22	-278	-5.4
Catastrophe events:					
- one "100-year events"	-95	-	-	-95	-1.8
- two "100-year events"	-226	-	-	-226	-4.4

The table below provides a sensitivity analysis as of 31 December 2018, 31 December 2019, and 31 December 2020 of the most significant risks to which the Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor.

**Table no. 74 – Sensitivity information for the Group as of 31 December 2018, 31 December 2019 and 31 December 2020 (risk on shareholders' equity in case of specific events)**

<b>(DKKm)</b>	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Interest rate increase of 1 percentage point	-188	-175	-81
Interest rate fall of 1 percentage point	45	79	41
Equity price fall of 15%	-62	-76	-70
Fall in property prices of 15%	-7	-18	-3
Currency risk excl. EUR 25% decline	-77	-5	-2
Spread widening of 1 percentage point	-278	-305	-255
Catastrophe events:			
- one "100-year events"	-95	-95	-96
- two "100-year events"	-226	-224	-215

The objective of risk management in the Group is to ensure that the risks assumed at any given time are calculated and reflect the business units' business strategy, risk profile and capital resources. This is achieved through identification, measurement via e.g., stress scenarios, active management, and continuous monitoring of both actual and potential risks which the business units are exposed to during the strategy period.

At least once annually, the Board of Directors and 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 boards of directors perform an ongoing assessment of the individual and aggregate risks in the relevant companies and in that connection determine whether the risks are acceptable. Based on a mandate from the board of directors, the executive board of the relevant company determines the day-to-day risk management.

To support the Board of Directors in the work with accounting, risk and capital management, the Board of Directors has established an audit and risk committee in the Company. The audit committee consists of three members of the Board of Directors.

The audit and risk committee holds meetings at least four times a year and reports regularly to the Boards of Directors. In addition to the audit and risk committee, the Group's internal auditor and external auditors participate in the audit and risk committee meetings. In addition, the audit and risk committee convenes others to participate in the consideration of selected items on the agendas, including the Executive Management.

The Group has among others a group-wide risk management policy which sets the overall risk tolerance for the Group and a group-wide internal control policy in place which sets out the internal control framework and governance.

For more details on risks and the management hereof, see also "Risk Factors" and the 2020 Consolidated Financial Statements as incorporated by reference in Part I, section 19.1 – "Additional information" – "Financial statements".



## 12.2 Key functions and risk governance

The Executive Management has appointed a person responsible for each of the compliance, actuarial and risk management functions. The internal audit function is handled by the internal audit team, and the person responsible for the function is appointed by the board of directors.

The independence of the key functions has been ensured with the risk management and compliance function and the actuarial function referring to the CFO of the Group. The internal audit function refers to the Board of Directors.

The Group has several committees ensuring that material issues are addressed in a uniform manner across the Group. The Group's central risk forum is a risk committee which serves to ensure advice, coordination and uniformity in the Group companies 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 companies in the Group. 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 Information Security committee (SIKO) 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 Information Security committee (SIKO) 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 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 monitors and reports 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 Group, the second line of defence consists of the risk management and compliance function, including the 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's directors and of the performance of the tasks in the first and second lines of defence. In the Group, the third line of defence consists of the 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.

In addition, a forum for operational risk collates information about operational events in the Group. The risk management function, the compliance function, IT and internal audit are participating in this forum. 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.

### **12.3 Own risk and solvency assessment**

In accordance with Solvency II, the Group must assess all material risks to which the Group is or may be exposed. This is done in the Group's own risk and solvency assessment (ORSA). The result of the Group's risk management processes constitutes the basis for the Board of Director's ORSA. The information is delivered by the risk management function. For further details on the ORSA, reference is made to Part I, section 10.11.4 – "Operating and financial review of the Group" – "Liquidity and capital resources" – "Solvency II".

It is the Board of Director's responsibility to have the overview of risks associated with the Group's business model, and to assess whether the processes used to determine the accurate risk profile of the Group are adequate.

### **12.4 Non-life insurance**

The primary risks, and the management hereof, related to the Group's non-life insurance business are the following:

#### **Insurance Risk**

Insurance risk consists primarily of 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 Group'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 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 A/S 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. In addition, the Company has reinsurance to cover a 200-year natural catastrophe event which is normally composed of one (or more) major windstorms and a series of minor (and/or) major cloudbursts. The partial internal model is a simulation model which means that the 200-year event can change from simulation to simulation, but with a strong stability in economic loss.

For 2020, Alm. Brand Forsikring A/S 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. The Group 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.

For further information on the risks pertaining to reinsurance, see also "Risk Factors", especially 2.9 – "Any decrease in the availability and amount of reinsurance, increases in the cost of reinsurance and/or the inability or refusal of reinsurers to meet their financial obligations could materially adversely affect the results of operations and financial position of the Group, Codan Denmark and, following completion of the Acquisition, the Enlarged Group."

### **Health insurance risk**

Health insurance risks arises as a result of the Group's writing of workers' compensation and personal accident insurance. These policies all give rise to both premium, claims provision and catastrophe risks.

Particularly workers' compensation insurance is affected by legislative amendments and changed legal practice as well as by social inflation. See also "Risk Factors" and especially 2.20 – "The Group and Codan Denmark are, and, following completion of the Acquisition, the Enlarged Group will be, subject to extensive regulatory requirements. Failure to comply with such requirements, obtain, hold or renew licenses, permissions, authorisations or notifications, or changes to the legal and regulatory systems under which the Enlarged Group will operate could have a material adverse effect on its reputation, cash flows, business, financial condition, results of operations and prospects."

For further information on the risks pertaining to health insurance, see also "Risk Factors".

## **Market risk**

The management of market risk is intended to ensure achievement of an optimum return without putting the total capital of Alm. Brand Forsikring A/S at risk of significant deterioration due to financial market developments or financial difficulties of individual issuers.

The asset allocation of Alm. Brand Forsikring A/S reflects its focus on stable returns and low investment risk. The investment assets of Alm. Brand Forsikring A/S 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 and adjusted on an ongoing basis. Interest rate swaps are used to adjust the interest rate risk on the assets.

For information about the Group's market risks, see "Risk Factors" and especially 2.14 – "Market risk may materially adversely affect the value of the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's investments in their equity portfolios, adversely impact their financial position and results of operations, and result in volatility in their results".

## **Counterparty risks**

This type of 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 A/S.

Type 1 counterparty risk related to reinsurance is the uncertainty associated with the situation that one or more of Alm. Brand Forsikring A/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 A/S 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, the Group holds a portfolio of mortgage deeds where the Group has a counterparty risk on the individual debtors.

For further information on counterparty risks, see also "Risk Factors" and especially 3.2 – "The Group and Codan Denmark are exposed to credit and counterparty risk in relation to financial institutions, including reinsurers. Deteriorations in the financial soundness of financial institutions may have a material adverse effect on their and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects.".

### **Other risks**

Other risks are liquidity risk that is very limited because premiums in Alm. Brand Forsikring A/S 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.

## **12.5 Life insurance**

The primary risks, and the management hereof, related to the Group's life insurance business are the following:

### **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 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, the Group 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 Group'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 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 the Solvency II Regulation). 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' 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. The calculation of provisions is based on the Danish FSA's benchmark for longevity assumptions adjusted to reflect the company's own experience. The Solvency II Regulation's standard formula is used for the assessment of longevity risk.

For further information on the risks pertaining to health insurance, see also "Risk Factors", especially 2.7 – "The Group's, Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's underwriting assumptions and pricing may accept excessive risks, misprice the risks that they assume and inadequately reflect risk exposure or cover claims, all of which could result in significant underwriting losses."

### **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 a maximum of one year due to the possibility of a quick change of price.

For further information on the risks pertaining to health insurance, see also "Risk Factors".

### **Market risks**

Alm. Brand Liv og Pension distributes insurance products based on an average interest rate with a benefit guarantee and a possibility of repurchase. The insurances are divided into seven insurance portfolios. There are five 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 and guarantees of each individual group.

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 contribution groups and has the effect that, over time, they will be moved to contribution groups with lower guarantees.

No new business is written in the four highest contribution groups, which mainly consist of insurances under disbursement or close to retirement, and the portfolio is thus gradually reduced. As of 31 December 2020, the closed portfolios accounted for approximately 32% of total provisions in the contribution portfolio and approximately 27% as of 30 September 2021.

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' equity and results as of 31 December 2020 would be adversely affected by DKK -22 million and DKK -13 as of 30 September 2021. 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. The Board of Directors approved additional investments in 2020. About half of the approved total amount was invested in 2020, and the rest is expected to be invested in 2021 if the market develops as the Group expects. 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 hedging strategy for currency positions in the Company's equity mandates which are not invested in euro or DKK.

For further information on market risks, see also "Risk Factors" and especially 2.14 – "Market risk may materially adversely affect the value of the Group's and Codan Denmark's and, following completion of the Acquisition, the Enlarged Group's investments in their equity portfolios, adversely impact their financial position and results of operations, and result in volatility in their results".

### **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.

For further information on counterparty risks, see also "Risk Factors" and especially 3.2 – "The Group and Codan Denmark are exposed to credit and counterparty risk in relation to financial institutions, including reinsurers. Deteriorations in the financial soundness of financial institutions may have a material adverse effect on their and, following completion of the Acquisition, the Enlarged Group's cash flows, business, financial condition, results of operations and prospects".

### **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, Alm. Brand Liv og Pension 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.

## **12.6 Other general risks**

Operational risk arises as a result of inexpedient 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 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 A/S filed with the Danish Insurance Complaints Board, and even though Alm. Brand Forsikring A/S 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 A/S 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 A/S 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. The Group's strategy has been prepared by the Management on the basis of a structured process and in cooperation with the board of directors, executive management and other managerial groups of each company in the Group.

Regulatory risks play an increasingly large role for the general public as well as for the Group, and non-compliance is becoming an increasingly important factor – also for customers. For instance, this applies to the EU rules under Solvency II, anti-money laundering directives, the 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. With a view to reducing risks relative to the GDPR rules, the Group has a number of common procedures to accommodate requests for access to and erasure 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.

## **13. UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **13.1 Introduction**

The 2020 Pro Forma Financial Information comprises an unaudited pro forma consolidated income statement for the financial year ended 31 December 2020 and an unaudited pro forma consolidated balance sheet as at 31 December 2020 (the "2020 Pro Forma Financial Information") to give effect as if the Acquisition and the Divestment had been carried out as at 1 January 2020 in respect of the unaudited pro forma consolidated income statement and as at 31 December 2020 in respect of the unaudited pro forma consolidated balance sheet. The Q1 - Q3 2021 Pro Forma Financial Information comprises an unaudited pro forma consolidated income statement for the financial period ended 30 September 2021 and an unaudited pro forma consolidated balance sheet as at 30 September 2021 (the "Q1 - Q3 2021 Pro Forma Financial Information") to give effect as if the Acquisition and the Divestment had been carried out as at 1 January 2021 in respect of the unaudited pro forma consolidated income statement and as at 30 September 2021 in respect of the unaudited pro forma consolidated balance sheet. The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information are unaudited and prepared on the basis of the stated criteria and in accordance with the accounting policies as described in the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2020.

The unaudited condensed combined pro forma financial information for the Enlarged Group has been prepared and is presented for the sole purpose of giving an inherently illustrative estimated and hypothetical presentation of the Enlarged Group's assets, liabilities, financial position and results of operations assuming the Acquisition and the Divestment occurred as at 31 December 2020 for purposes of the unaudited pro forma consolidated balance sheet as at 31 December 2020 and on 1 January 2020 for purposes of the unaudited pro forma consolidated income statement for the financial year ended 31 December 2020 and as at 30 September 2021 for purposes of the unaudited pro forma consolidated balance sheet as at 30 September 2021 and on 1 January 2021 for purposes of the unaudited pro forma consolidated income statement for the financial period ended 30 September 2021.

The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information in this Prospectus are presented for illustrative purposes only and is not necessarily indicative of what the Enlarged Group's actual financial position or results of operations would have been had the Acquisition and the Divestment been completed on the dates indicated above.

The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information have not been compiled in accordance with Article 11 of Regulation S-X under the U.S. Securities Act or the guidelines established by the American Institute of Certified Public Accountants.

### **13.2 Overview of the Acquisition and the Divestment**

For an overview of the Acquisition and the Divestment, reference is made to Part I, section 5 – "Details of the Acquisition", Part I, section 21.1 – "Material " – "Summary of material contracts

relating to the Acquisition" and Part I, section 21.1 – "Material " – "Summary of material contracts relating to the Acquisition".

### **13.3 Statement by the Board of Directors and the Executive Management on the Unaudited Pro Forma Financial Information**

In the below sections 13.6 – "Unaudited pro forma income statement relating to the Enlarged Group for the financial year ended 31 December 2020", 13.7 – "Unaudited pro forma income statement relating to the Enlarged Group for the financial period ended 30 September 2021", 13.8 – "Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020" and 13.9 – "Unaudited pro forma balance sheet relating to the Enlarged Group as at 30 September 2021", the Management presents the unaudited pro forma condensed combined financial information prepared on the basis of the below adjustments and assumptions to illustrate the impact of the Acquisition and the Divestment set out in Part I, section 5 – "Details of the Acquisition" and Part I, section 21.1 – "Material " – "Summary of material contracts relating to the Acquisition" on the Group's consolidated income statement and on its consolidated statements of financial position as described above. The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information presented in this Prospectus are unaudited and have been prepared solely for use in this Prospectus in accordance with the Delegated Prospectus Regulation and is not to be used for any other purposes.

The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information were prepared on the basis of the stated criteria described in section 13.5 – "Unaudited Pro Forma Financial Information" – "Basis of preparation" below and in accordance with the accounting policies as described in 2020 Consolidated Financial Statements prepared in accordance with IFRS for the financial year ended on 31 December 2020 as incorporated by reference herein in Part I, section 19.1 – "Additional information" – "Financial statements".

The Management believes that the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information presented in this Prospectus have been properly compiled and that the financial information has been presented in all material respects on the basis of the stated criteria and in accordance with accounting policies as described in the Company's 2020 Consolidated Financial Statements.

It should be noted that the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information solely reflect an illustrative calculation of the matters set out. Actual future financial statements may differ materially from this information.

Copenhagen, 8 November 2021

#### **Board of Directors**

Jørgen Hesselbjerg Mikkelsen  
*Chairman*

Jan Skytte Pedersen  
*Deputy chairman*

Tina Keith Schmidt Madsen  
*Board member*

Karen Sofie Hansen-Hoeck  
*Board member*

Boris Nørgaard Kjeldsen  
*Board member*

Anette Eberhard  
*Board member*

Per Viggo Hasling Frandsen  
*Board member*

Pia Laub  
*Board member*

Lotte Kathrine Sørensen  
*Employee elected member*

Claus Nexø Jensen  
*Employee elected member*

Brian Egested  
*Employee elected member*

### **The Executive Management**

Rasmus Werner Nielsen  
*Chief Executive Officer*

### **13.4 Independent Auditor's report on the compilation of pro forma financial information included in the Prospectus**

#### **To the shareholders and potential investors**

We have been assigned to report on whether the pro forma financial information for the Company presented in this section 13 – "Unaudited Pro Forma Financial Information" of the Prospectus has been properly compiled on the basis of the applicable criteria and in accordance with the accounting policies in the consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2020 of the Company. The applicable criteria to be applied in the compilation is set out in the Delegated Prospectus Regulation, Annex 1, "Registration Document for Equity Securities", Section 18.4 - "Pro forma financial information" and Annex 20, "Pro forma information".

The pro forma financial information is set out in this section 13 – "Unaudited Pro Forma Financial Information" of the Prospectus. The applicable criteria on the basis of which the Company has compiled the pro forma financial information are described in 13.5 – "Basis of preparation".

The pro forma financial information has been compiled by the Management to illustrate the impact of the Acquisition and the Divestment set out in Part I, section 5 – "Details of the Acquisition" and Part I, section 21.1 – "Material " – "Summary of material contracts relating to the Acquisition", respectively, on the Company's consolidated performance for year ended 31 December 2020 and for the period ended 30 September 2021, prepared as if the Acquisition and the Divestment had taken place at 1 January 2020 and 1 January 2021, respectively, and on the Company's consolidated balance sheet as at 31 December 2020 and as at 30 September 2021 as if the Acquisition and the Divestment had taken place at 31 December 2020 and at 30 September 2021, respectively.

We express reasonable assurance in our conclusion.

In this engagement to report on the pro forma financial information the term "properly compiled" means that the pro forma financial adjustments have been collected, classified and summarised as well as presented appropriately on the basis of the applicable criteria described in section 13.5 – "Unaudited Pro Forma Financial Information" – "Basis of preparation".

In this engagement to report on the pro forma financial information the term "in accordance with the accounting policies of the Company" means that the pro forma financial adjustments where relevant and to the extent possible in respect of recognition and measurement (including necessary adjustments) have been prepared consistently with the accounting policies described in the Company's consolidated financial statements as at and for the year ended 31 December 2020 included by reference in Part I, section 19.1 – "Additional information" – "Financial statements"

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on historical unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the

actual outcome of the Acquisition and the Divestment on 1 January 2020, 1 January 2021, 31 December 2020, and 30 September 2021, respectively, would have been as presented. As part of this process, information about the Company's financial performance and financial position has been extracted by Management from the Company's 2020 Consolidated Financial Statements and the Q1 – Q3 2021 Condensed Interim Financial Statements, respectively, included in by reference in Part I, section 19.1 – "Additional information" – "Financial statements". Information about Codan Denmark's financial performance and financial position has been extracted by Management from the 2020 Combined Carve-Out Financial Statements of Codan Denmark and the Q1 - Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark respectively, included in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" and section 2 – "Codan Denmark Combined Carve-Out Interim condensed Financial Statements for the Financial period ended 30 September 2021".

The pro forma financial information and our accompanying report has been prepared solely for the use of the Prospectus that is prepared in accordance with the Delegated Prospectus Regulation and is not to be used for any other purposes.

### **Management's responsibility**

The Management of the Company is responsible for the proper compilation of the pro forma financial information on the basis stated and that this basis is consistent with the Company's accounting policies, and that the pro forma financial information complies with the criteria set out in the Delegated Prospectus Regulation.

### **Auditor's responsibility**

Our responsibility is, in accordance with the Delegated Prospectus Regulation Annex 20 "Pro forma information", Section 3 "Requirements for an accountant/audit report", to express an opinion about whether the pro forma financial information has been properly compiled on the basis of the applicable criteria and in accordance with the accounting policies as described in the Company's consolidated financial statements for 2020.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

We conducted our examinations in accordance with (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", and additional requirements under Danish audit regulation.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside Denmark, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1, and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

As part of our examinations, we have evaluated whether the disclosed basis for the pro forma adjustments provides a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the historical unadjusted financial information.

The procedures selected depend on the auditors' judgment, having regard to the auditors' understanding of the nature of the Company, the transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

In addition, we have evaluated the overall presentation of the pro forma financial information.

## **Conclusion**

This conclusion is based upon the understanding of "properly compiled" and "in accordance with the accounting policies of the Company", as disclosed in the introductory paragraphs of the report.

In our opinion, the pro forma financial information has been properly compiled on the basis of the applicable criteria and in accordance with the accounting policies as described in the Company's consolidated financial statements for 2020.

Copenhagen, 8 November 2021

Deloitte Statsautoriseret Revisionspartnerselskab  
CVR no. 33963556

Anders Oldau Gjelstrup  
State-Authorised Public Accountant  
Identification No (MNE) mne10777

Brian Schmit Jensen  
State-Authorised Public Accountant  
Identification No (MNE) mne40050



### 13.5 Basis of preparation

For the purpose of the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information, it is assumed that the Acquisition and the Divestment have been carried out as at 1 January 2020 and 1 January 2021 in respect of the unaudited pro forma consolidated income statement and as at 31 December 2020 and 30 September 2021 in respect of the unaudited pro forma consolidated balance sheet. The acquisition of Codan Denmark will be accounted for as a business combination at consolidation using the acquisition method of accounting under the provisions of IFRS 3, Business Combinations with the Company determined as the acquirer of Codan Denmark.

The acquisition method of accounting applies the fair value concepts defined in IFRS 13, Fair Value Measurement, and requires, among other things, that the identifiable assets acquired, and liabilities assumed in a business combination are recognised at their fair values as of the acquisition date, with any excess of the purchase consideration over the fair value of identifiable net assets acquired recognised as goodwill. The purchase price allocation presented herein has been made solely for the purpose of preparing the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information. The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information have been prepared in accordance with the Annex 20 to the Delegated Prospectus Regulation and on a basis consistent with the accounting principles applied by the Company in its 2020 Consolidated Financial Statements prepared in accordance with IFRS for the financial year ended 31 December 2020.

According to IFRS 3, Business combinations, transaction costs related to the Acquisition are expensed when incurred. For the purpose of the pro forma income statement for the year ended 31 December 2020 and the pro forma income statement for the period ended 30 September 2021 it is assumed that all transaction costs are expensed prior to the year or the period as they are prepared under the assumption that the Acquisition had been carried out as at 1 January 2020 and as at 1 January 2021, respectively.

For the purpose of 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information the life insurance and health and accident insurance carried out by the subsidiary Alm. Brand Liv og Pension A/S is excluded, as the Group has entered into a conditional share purchase agreement on 1 October 2021 regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. It is assumed that Alm. Brand Liv og Pension A/S would have been sold for a cash consideration corresponding to the equity value as at 31 December 2020 and 30 September 2021, respectively, plus a gain DKK 545 million net of any related costs and that the tier 2 capital provided by Alm. Brand Forsikring A/S to Alm. Brand Liv og Pension A/S (subordinated debt) would have been settled at the same time. For the purpose of the unaudited pro forma consolidated income statement it is assumed that the Divestment has been carried out as at 1 January 2020 and 1 January 2021, thus, any gain from the divestment is not included in the unaudited pro forma consolidated income statements. Furthermore the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information have been prepared under the assumption that the Offering and issue of new tier 1 and tier 2 capital net of redemption of existing tier 2 capital to finance the Acquisition have been carried out at the same dates as the assumed dates of the Acquisition. The 2020

Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information have not been compiled in accordance with Article 11 of Regulation S-X under the U.S. Securities Act or the guidelines established by the American Institute of Certified Public Accountants. The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information include historical financial information that is derived from; (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 and the unaudited but reviewed condensed interim financial statements for the period ended 30 September 2021; and from (ii) the audited financial statements of Codan Denmark for the financial year ended 31 December 2020 and the unaudited interim financial statements of Codan Denmark for the financial period ended 30 September 2021, see Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018", and Part IV section 2 – "Codan Denmark Combined Carve-Out Interim Condensed Financial Statements for the Financial period ended 30 September 2021".

The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information reflect adjustments to historical financial information to give pro forma effect to events that are directly attributable to the Acquisition and the Divestment, and which are factually supportable. The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information and explanatory notes present how the Group's consolidated income statement for the financial year ended 31 December 2020 and the financial period ended 30 September 2021 and consolidated balance sheet as at 31 December 2020 and as at 30 September 2021 would have appeared had the businesses actually been combined and had the Group's capital structure reflected the Acquisition and the Divestment as at 1 January 2020 and 31 December 2020 for the 2020 Pro Forma Financial Information and as at 1 January 2021 and 30 September 2021 for the Q1 - Q3 2021 Pro Forma Financial Information.

The Company has performed a preliminary alignment of Codan Denmark's accounting policies to ensure comparability in the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information with the accounting policies of the Group. Based on the information available as at the Prospectus Date, the Company is not aware of any accounting policy differences that could have a material impact on the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information. Upon the completion of the Acquisition, the Company will conduct a detailed review of Codan Denmark's accounting policies and estimates applied. As a result of that review, the Company may identify additional accounting policy differences between the Group and Codan Denmark that, when conformed, could have further impact on the Enlarged Group's financial information. Also, the accounting policies to be applied by the Enlarged Group in the future may differ from the accounting policies applied in the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information.

The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information reflect the application of pro forma adjustments that are preliminary, and which are based upon available information and certain assumptions, described in the accompanying notes to the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information.

mation below and that the Management believes are reasonable under the circumstances. Actual results of the Acquisition and the Divestment may materially differ from the assumptions used in the 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information. The 2020 Pro Forma Financial Information and the Q1 - Q3 2021 Pro Forma Financial Information has been prepared by the Management for illustrative purposes only and, because of the nature of the information, it addresses a hypothetical situation, and therefore does not represent the actual financial position or results of the Group's operations that would have been realised had the Acquisition and the Divestment occurred as of the dates indicated, nor is it meant to be indicative of any anticipated financial position or future results of operations that the Group may experience going forward. In addition, the accompanying unaudited pro forma consolidated income statement does not reflect any expected cost savings, synergy benefits or future integration costs that are expected to be generated or may be incurred as a result of the Acquisition or separation costs estimated at DKK 60 million related to the Divestment.

The 2020 Consolidated Financial Statements, and the Q1 – Q3 2021 Condensed Interim Financial Statements of the Group, the 2020 Combined Carve-Out Financial Statements of Codan Denmark, the Q1 – Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark, the 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information have been presented in DKK.

The 2020 Pro Forma Financial Information and the Q1 – Q3 2021 Pro Forma Financial Information set forth herein has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total amount given for that column or row.

### 13.6 Unaudited pro forma income statement relating to the Enlarged Group for the financial year ended 31 December 2020

Table no. 75 – Unaudited proforma income statement

(DKKm)	Group, year ended 31 December 2020, I)	Of which pen- sion, II)	Of which health and ac- cident insuran- ce, III)	Pro forma regulations regarding discontin- ing activities, IV)	Group ex- cluding discon- tinuing activities	Codan Den- mark, V)	Pro forma regulation regarding the acqui- sition	Notes	Pro forma re- sult VI)
<b>Income</b>									
Premium income	6,975	-1,504	-127		5,344	5,450			10,794
Bonus and premium discounts					0	-75			-75
Interest income, etc.	366	-228	-6	-3	129	221			350
Other income from investment activities	6	-66		60	0				0
Other income	5	0			5				5
<b>Total income</b>	<b>7,352</b>	<b>-1,798</b>	<b>-133</b>	<b>57</b>	<b>5,478</b>	<b>5,596</b>			<b>11,074</b>
<b>Costs</b>									
Claims expenses	-4,891	1,354	72		-3,465	-3,703			-7,168
Interest expenses	-14	4		3	-7	-15	-8	1	-30
Other expenses from investment activities	-194	38	1	-20	-175	-30			-205
Other expenses		0			0	-4	-227	2	-231
Acquisition costs and administrative expenses	-973	107	25	-60	-901	-1,112			-2,013
<b>Total costs</b>	<b>-6,072</b>	<b>1,503</b>	<b>98</b>	<b>-77</b>	<b>-4,548</b>	<b>4,864</b>	<b>-235</b>		<b>9,647</b>
Profit/loss from business ceded	-196	3	9		-184	34			-150
Change in life insurance provisions	-700	702		-2	0				0
Change in profit margin in pension	-26	26			0				0
Value adjustments	639	-682	3	-10	-50	-213			-263
Tax on pension investment returns	-134	134			0				0
<b>Profit/loss before tax, continuing activities</b>	<b>863</b>	<b>-112</b>	<b>-23</b>	<b>-32</b>	<b>696</b>	<b>553</b>	<b>-235</b>		<b>1,014</b>
Tax, continuing activities	-197	25	5	7	-160	-85	53	3	-192
<b>Profit/loss after tax, continuing activities</b>	<b>666</b>	<b>-87</b>	<b>-18</b>	<b>-25</b>	<b>536</b>	<b>468</b>	<b>-182</b>		<b>822</b>
Profit/loss after tax, discontinuing activities	-50			50	0	0			0
<b>Profit/loss after tax</b>	<b>616</b>	<b>-87</b>	<b>-18</b>	<b>25</b>	<b>536</b>	<b>468</b>	<b>-182</b>		<b>822</b>

I) The income statement of the Group has been extracted from the 2020 Consolidated Financial Statements.

II) The result of life insurance is excluded from the table above, as the Group has entered into a conditional share purchase agreement on 1 October 2021 regarding the sale of the entire share capital of Alm. Brand Liv og Pension A/S. The income statement information for life insurance is extracted from segment reporting, income statement on page 54 in the 2020 Consolidated Financial Statements of the Group.

III) In addition, adjustment is made for the result of health and accident insurance, which is included in the result for Non-life Insurance in the segmented income statement in the 2020 Consolidated Financial Statements. Health and accident insurance legally belongs to Alm. Brand Liv og Pension A/S and is subject to the divestment of Alm. Brand Liv og Pension A/S mentioned under II) above but has been presented under non-life insurance in the annual reports for the Group, as the activity has the character of a non-life insurance product.

IV) All eliminations in the Group concerning Alm. Brand Liv og Pension A/S in the 2020 Consolidated Financial Statements are reversed as a result of the exclusion of Alm. Brand Liv og Pension A/S in the pro forma statement, as outlined within footnote II above. Further, the result of discontinued activities in 2020 (including eliminations between continuing and discontinued activities in 2020) is reversed. This relates primarily to Alm. Brand Bank A/S.

V) The result for Codan Denmark has been derived from the Combined Carve-Out Financial Statements of Codan Denmark, included in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" of this Prospectus. The result for Codan Denmark is presented in the table above in accordance with the Group's presentation of its income statement. The individual lines are in a different order and some line items are aggregated as explained in the table below.

<b>(DKKm)</b>	<b>Premium in- come</b>	<b>Claims ex- penses</b>	<b>Acquisition costs and administra- tive ex- penses</b>	<b>Profit/loss from busi- ness ceded</b>	<b>Interest ex- penses</b>	<b>Value adju- stments</b>
Gross premiums written	5,527					
Ceded insurance premiums				-545		
Change in premium provision	110					
Change in profit margin and risk margin	-187					
Change in reinsurer's share of premium provision				142		
Claims paid		-3,832				
Reinsurance cover received				289		
Change in claims provision		112				
Change in risk margin		17				
Change in the reinsurers' share of claims provision				121		
Acquisition costs			-789			
Administration expenses			-323			
Reinsurance commissions and profit participation				27		
Interest expenses					-6	
Value adjustments						-102
Return on and value adjust- ments on technical provisions					-9	-111
<b>Summary of pro forma income statement</b>	<b>5,450</b>	<b>-3,703</b>	<b>-1,112</b>	<b>34</b>	<b>-15</b>	<b>-213</b>

VI) The pro forma income statement does not take into account any trading of the Group or Codan Denmark or the effect of expected cost savings as well as expected synergies derived from the Acquisition or restructuring costs post completion of the Acquisition or separation costs related to the Divestment. According to IFRS 3, Business combinations, transaction costs related to the Acquisition are expensed when incurred. For the purpose of the pro forma income statement, it is assumed that all transaction costs related to the Acquisition are expensed prior to 1 January 2020.

**Note 1 Interest expenses**

Estimated interests new tier 2 capital notes	16
Reversal of interest expenses existing subordinated loan capital	-8
<b>Interest expenses</b>	<b>8</b>

Calculated interest expenses on new tier 2 capital notes in the amount of DKK 1,300 million issued to partly finance the Acquisition have been included in the calculation. The tier 2 capital has been executed 14 October 2021 and has an interest rate of Cibor 3M plus 150 bp. Interest on existing tier 2 capital that is expected to be redeemed by the proceed from the new tier 2 capital notes has been reversed, which has been calculated with a condition of full redemption per 1 January 2020.

**Note 2 Other expenses**

Amortization of customer relationship and brand	231
Reversal of impairment of goodwill in Codan Denmark	4
<b>Other expenses</b>	<b>227</b>

Amortisation of intangible assets regarding customer relationships and brand, which are identified and included in the calculation as a result of the preliminary purchase price allocation. The amortisation is calculated on the expected lifetime, which means the customer relationships is amortised on a period of 8 years, whereas brand is amortised on a period of 10 years. Furthermore, impairment charge on goodwill in Codan Denmark has been reversed.

**Note 3 Tax**

Estimated tax on pro forma regulations	53
<b>Tax</b>	<b>53</b>

Estimated tax on pro forma regulation has been calculated on interest expenses and other expenses except for reversal of impairment change on goodwill in Codan Denmark that is non-taxable.

### 13.7 Unaudited pro forma income statement relating to the Enlarged Group for the financial period ended 30 September 2021

**Table no. 76 – Unaudited proforma income statement**

(DKKm)	Group, period ended 30 September 2021, I)	Codan Denmark, II)	Pro forma regulations regarding the acquisition	Notes	Pro forma result III)
<b>Income</b>					
Premium income	4,045	4,167			8,212
Bonus and premium discounts	0	-27			-27
Interest income, etc.	92	177			269
Other income	<b>90</b>	<b>0</b>			<b>90</b>
<b>Total income</b>	<b>4,227</b>	<b>4,317</b>			<b>8,544</b>
<b>Costs</b>					
Claims expenses	-2,786	-2,312			-5,098
Interest expenses	-24	-36	-8	1	-68
Other expenses from investment activities	-138	-22			-160
Other expenses	0	-84	-89	2	-173
Acquisition costs and administrative expenses	<b>-761</b>	<b>-896</b>	<b>90</b>	3	<b>-1,567</b>
<b>Total costs</b>	<b>-3,709</b>	<b>-3,350</b>	<b>-7</b>		<b>-7,066</b>
Profit/loss from business ceded	16	-338			-322
Value adjustments	<b>-34</b>	<b>-117</b>			<b>-151</b>
<b>Profit/loss before tax, continuing activities</b>	<b>500</b>	<b>512</b>	<b>-7</b>		<b>1,005</b>
Tax, continuing activities	-153	-120	2	4	-271
<b>Profit/loss after tax, continuing activities</b>	<b>347</b>	<b>392</b>	<b>-5</b>		<b>734</b>
Profit/loss after tax, discontinuing activities	75		-75	5	0
<b>Profit/loss after tax</b>	<b>422</b>	<b>392</b>	<b>-80</b>		<b>734</b>

I) The income statement of the Group has been extracted without adjustments from the Q1 – Q3 2021 Condensed Interim Financial Statements of the Group.

II) The result for Codan Denmark has been derived from the Q1 – Q3 2021 Combined Carve-out Interim Condensed Financial Statements of Codan Denmark, included in Part IV, section 2 – "Codan Denmark Combined Carve Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" of this Prospectus. The result for Codan Denmark is presented in the table above in accordance with the Group's presentation of its income statement. The individual lines are in a different order and some line items are aggregated in the table above.

(DKK m)	Premium income	Claims expenses	Acquisition costs and administrative expenses	Profit/loss from business ceded	Interest expenses	Value adjustments
Gross premiums written	4,342					
Ceded insurance premiums				-445		
Change in premium provision	-353					
Change in profit margin and risk margin	178					
Change in reinsurer's share of premium provision				22		
Claims paid		-2,677				
Reinsurance cover received				216		
Change in claims provisions		315				
Change in risk margin		50				
Change in the reinsurers' share of claims provision				-152		
Acquisition costs			-694			
Administration expenses			-202			
Reinsurance commissions and profit participation				21		
Interest expenses					-45	
Value adjustments						-290
Return on and value adjustments on technical provisions					9	173
<b>Summary of pro forma income statement</b>	<b>4,167</b>	<b>-2,312</b>	<b>-896</b>	<b>-338</b>	<b>-36</b>	<b>-117</b>

III) The pro forma income statement does not take into account any trading of the Group or Codan Denmark or the effect of expected cost savings as well as expected synergies derived from the Acquisition or restructuring costs post completion of the Acquisition or separation costs related to the Divestment. According to IFRS 3, Business combinations, transaction costs related to the Acquisition are expensed when incurred. For the purpose of the pro forma income statement, it is assumed that all transaction costs related to the Acquisition are expensed prior to 1 January 2021.

#### Note 1 Interest expenses

Estimated interests new tier 2 capital notes	12
Reversal of interest expenses existing subordinated loan capital paid in 2021	-4
<b>Interest expenses</b>	<b>8</b>

Calculated interest expenses on new tier 2 capital notes in the amount of DKK 1,300 million issued to partly finance the Acquisition have been included in the calculation. The tier 2 capital has been issued 14 October 2021 and has an interest rate of Cibor 3M plus 150 bp. Interest on existing tier 2 capital that is expected to be redeemed by the proceed from the new tier 2 capital notes has been reversed, which has been calculated with a condition of full redemption per 1 January 2021.



## Note 2 Other expenses

Amortization of customer relation and brand	173
Transaction cost in Codan Denmark, reversed	-84
<b>Other expenses</b>	<b>89</b>

Amortisation of intangible assets regarding customer relation and brand, which are identified and included in the calculation as a result of the preliminary purchase price allocation. The amortization is calculated on the expected lifetime, which means the customer relation is amortised on a period of 8 years, whereas brand is amortised on a period of 10 years.

The Q1 – Q3 2021 Combined Carve-out Interim Condensed Financial Statements of Codan Denmark include costs related to the reorganisation of the Scandinavian business of RSA and carve-out of Codan Denmark in the amount of DKK 84 million presented under Other expenses. For the pro forma consolidated income statement, it has been assumed that these activities have been carried out prior to 1 January 2021, thus, the related costs have been reversed in the pro forma consolidated income statement for the financial period ended 30 September 2021.

## Note 3 Acquisition cost and administrative expenses

Costs incurred and expensed in the period related to the acquisition of Codan Denmark of DKK 90 million have been excluded as the pro forma consolidated income statement is presented under the assumption that the Acquisition has been carried out as at 1 January 2021.

## Note 4 Tax

Estimated tax on pro forma regulations	2
<b>Tax</b>	<b>2</b>

Estimated tax on pro forma regulation has been calculated on all pro forma adjustments assuming that they all are taxable or deductible in the taxable income.

## Note 5 Discontinued activities

The result of discontinued activities in Q1 – Q3 2021 is excluded as the pro forma consolidated income statement is presented under the assumption that the Divestment has been carried out as of 1 January 2021.

## 13.8 Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020

Table no. 77 – Unaudited proforma balance sheet

(DKKm)	Group as of 31 December 2020, I)	Of which pension, II)	Of which health and accident insurance, III)	Pro forma regulations regarding discontinuing activities, IV)	Group excluding discontinuing activities	Codan Denmark, V)	Pro forma regulations regarding the Acquisition	Notes	Pro forma result IV)
<b>Assets</b>									
Goodwill						141	7,919		8,060
Customer relationships							1,066		1,066
Brand							978		978
Other intangible assets	9	0	0		9	481	-132		358
Intangible assets	9	0	0	0	9	622	9,831	1	10,462
Owner-occupied properties	743	-743			0				0
Deferred tax assets	0			7	7				7
Reinsurers' share of insurance contracts	222	-27	-138		57	725			782
Current tax assets	0	0			0	0			0
Furniture and equipment, computers, cars, etc.	3				3	4			7
Leased furniture and equipment, computers, cars, etc. and properties	137				137	69			206
Prepayments, in total	223	-99	-2		122	111			233
Other assets	79	-30			49	0			49
Receivables in connection with direct insurance	172	-60			112	893			1,005
Balances due from other insurance companies	23				23	86			109
Balances due from group enterprises	2			4	6	2,229			2,235
Loans to group enterprises	0				0	500	-500	3	0
Other debtors	222	-2	-20		200	128			328
Other assets	861	-191	-22	4	652	4,020	500		4,172
Loans	738				738	304			1,042
Investment properties	790	-790			0	0			0
Equity investments	1,239	-990			249	267			516
Unit trust units	3,461	-2,940			521	616			1,137
Bonds	22,898	-12,260	-461		10,177	10,084			20,261
Shares in collective investments	4	-4			0	0			0
Other loans	4	-4			0	0			0
Other investment assets	1,287	-1,042	-40		205	1			206
Investment assets	28,893	-17,240	-501	0	11,152	10,968	0		22,120
Cash in hand and demand deposits	524	-193	-67	1,490	1,754	485	-790	2	1,449
<b>Total assets</b>	<b>32,780</b>	<b>-19,184</b>	<b>-728</b>	<b>1,501</b>	<b>14,369</b>	<b>17,124</b>	<b>541</b>		<b>40,034</b>
<b>Liabilities</b>									
Consolidated shareholder's equity	5,167	713	82	1,340	5,712	3,451	6,791		15,954

<b>(DKKm)</b>	<b>Group as of 31 December 2020, I)</b>	<b>Of which pension, II)</b>	<b>Of which health and accident insurance, III)</b>	<b>Pro forma regulations regarding discontinuing activities, IV)</b>	<b>Group excluding discontinuing activities</b>	<b>Codan Denmark, V)</b>	<b>Pro forma regulations regarding the Acquisition</b>	<b>Notes</b>	<b>Pro forma result IV)</b>
Restricted tier 1 capital					0	0	400		400
Total equity and tier 1 capital	5,167	-713	-82	795	5,167	3,451	7,191	4	16,354
Subordinated debt	400	-150		150	400	0	900	5	1,300
<i>Unearned premium provisions</i>	1,203		-51		1,152	766			1,918
<i>Profit margin on non-life insurance contracts</i>	418		-8		410	513			923
<i>Outstanding claims provisions</i>	5,810		-547		5,263	9,070			14,333
<i>Life insurance provisions</i>	16,562	-16,562			0	0			0
<i>Profit margin on life insurance contracts</i>	382	-382			0	0			0
<i>Bonus and premium discounts provisions</i>	0				0	82			82
<i>Risk margin on non-life insurance contracts</i>	323		-9		314	795			1,109
Provisions for insurance contracts	24,698	-16,944	-615	0	7,139	11,226	0		18,365
Other provisions	16				16	54			70
Deferred tax liabilities	0	-7		7	0	393	450	1	843
Issued bonds	152				152	0			152
Current tax liabilities	5		-5		0	24			24
<i>Payables related to direct insurance</i>	103	-36			67	148			215
<i>Payables related to reinsurance</i>	43	-30			13	18			31
<i>Payables to group enterprises</i>	0	-4		4	0	561			561
<i>Other payables</i>	1,232	-459	-26		747	581			1,328
<i>Deferred income</i>	46	-30			16	68			84
Other liabilities	1,424	-559	-26	4	843	1,376			2,219
Payables to credit institutions and central banks	918	-811			107	600			707
<b>Total liabilities and equity</b>	<b>32,780</b>	<b>-19,184</b>	<b>-728</b>	<b>1,501</b>	<b>14,369</b>	<b>17,124</b>	<b>8,541</b>		<b>40,034</b>

Items and numbers in *italics* are specifications

I) The assets and liabilities of the Group have been extracted without adjustments from the 2020 Consolidated Financial Statements.

II) The balance sheet information for life insurance is excluded from the table, as the Group has entered into a share purchase agreement on 1 October 2021 regarding the sale of the entire share capital of Alm. Brand Liv og Pension. The balance of life insurance is extracted from segment reporting, balance sheet on page 56 of the 2020 Consolidated Financial Statements of the Group.

III) In addition, adjustment is made for the balance sheet items of health and accident insurance, which is included in the result for non-life Insurance in the segmented balance sheet in the 2020 Consolidated Financial Statements. Health and accident insurance legally belongs to Alm. Brand Liv og Pension and is subject to the divestment of Alm. Brand Liv og Pension mentioned under II) above but has been presented under non-life insurance in the annual reports for the Group, as the activity has the character of a non-life insurance product.

IV) All eliminations in the Group concerning Alm. Brand Liv og Pension in the 2020 Consolidated Financial Statements are reversed as a result of the exclusion of Alm. Brand Liv og Pension in the pro forma statement. Furthermore, it is assumed that Alm. Brand Liv og Pension would have been sold for cash consideration corresponding to the equity value of DKK 795 million plus a gain of DKK 545 million net of any related costs (in total DKK 1,340 million) and that the tier

2 capital of DKK 150 million provided by the parent company to Alm. Brand Liv og Pension (subordinated debt) would have been settled at the same time.

V) The assets and liabilities of Codan Denmark have been extracted from the Combined Carve-Out Financial Statements of Codan Denmark, included in Part IV, section 1 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" of this Prospectus. Assets and liabilities of Codan Denmark have in the table above been presented in accordance with the Group's presentation of its balance sheet. The individual lines are in a different order and some line items are aggregated in the table above.

VI) The pro forma balance sheet does not take into account any trading of the Group or Codan Denmark subsequent to 31 December 2020.

#### **Note 1 Preliminary Purchase Price Allocation**

Shareholder's equity of Codan Denmark as at 31 December 2020	3,451
Capital adjustments according to the Demerger Agreement	-246
Adjustment for goodwill recognized in the financial statements of Codan Denmark	-141
Fair value adjustments of other intangible assets	-132
<b>Adjusted carrying amount of net assets purchased</b>	<b>2,932</b>
Preliminary estimate of fair value of customer relationships	1,066
Preliminary estimate of fair value of brand	978
Deferred tax of customer relationships and brand	-450
<b>Preliminary estimate of value of customer relationships and brand, net</b>	<b>1,594</b>
Goodwill	8,060
<b>Purchase price Codan Denmark</b>	<b>12,586</b>
<i>Goodwill</i>	
Goodwill from the Acquisition of Codan Denmark	8,060
<u>Elimination of goodwill in Codan Denmark</u>	<u>-141</u>
Pro forma regulation	7,919

For the preliminary estimate of the fair value of assets acquired and liabilities assumed it is assumed that except for the fair value of customer relationships, brand and other intangible assets the assets and liabilities presented in the 2020 Carve-out Financial Statements of Codan Denmark represent their fair value as at 31 December 2020, thus, no purchase price allocation has been carried out on other assets and liabilities than intangible assets. The preliminary estimate of the fair value of customer relation is based on forecasted earnings and an estimated retention rates reduced to zero linear over 8 years whereas the relief from royalty method is used for the estimate of the fair value of the brand using an royalty percentage of 2 and life of the brand of 10 years. The fair value adjustments of other intangible assets relate to IT system and is based on an assessment of the value that marked participants are willing to pay for a system designed for a specific business. The assessment of the useful life is adjusted accordingly, thus, the amortisations recognized in the 2020 Carve-Out Financial Statements of Codan Denmark are kept unchanged.

The carrying amount of the net assets according to the Combined Carve-Out Balance Sheet of 31 December 2020 for Codan Denmark has for the purpose of the pro forma balance sheet been adjusted to reflect capital adjustment in the amount of DKK -246 million agreed in the Demerger Agreement by cancellation of a group loan (receivable) of DKK 500 million and contribution of cash of DKK 254 million.

Goodwill recorded in Codan Denmark has been reversed and included in calculation of goodwill on the entire Acquisition.

#### **Note 2 Cash balance and balances at call**

Proceeds from the Offering	10,472
Estimated costs related to the Offering	-230
Issue of new tier 2 capital	1,300
Redemption of existing tier 2 capital	-400
Issue of new restricted tier 1 capital	400
Purchase price of Codan Denmark	-12,586
Capital adjustments according to the Demerger Agreement by contribution of cash	254
<b>Pro forma adjustment cash balances and balances at call</b>	<b>-790</b>

This includes a preliminary estimate of the net proceeds from the Offering and the purchase price of Codan Denmark according to the Share Purchase Agreement. The capital adjustments agreed in the Demerger Agreement will partly be settled by contribution of cash to Codan Denmark.

The net cash inflow of DKK 900 million comes from issue of new tier 2 capital notes 14 October 2021 and redemption of existing tier 2 capital. Further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering.

#### **Note 3 Loans to group enterprises**

Capital adjustments according to the Demerger Agreement by cancellation of a loan to group enterprises (a receivable) of DKK 500 million.

#### **Note 4 Consolidated shareholders' equity**

Subscription of new shares	10,472
Estimated costs related to the Offering	-230
<b>Net capital increase upon the Offering</b>	<b>10,242</b>
Elimination of equity of Codan Denmark	-3,451
	6,791
Restricted tier 1 capital	400
<b>Pro forma adjustment to consolidated shareholders' equity</b>	<b>7,191</b>

This adjustment reflects the net proceeds from the Offering and, further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering. The restricted tier 1 capital is expected to be accounted for as equity as it is expected not to include any contractual obligation to deliver cash or another financial asset to the holders. The Company is expected to be able to, at its sole discretion, omit payment of interest and principal payments to the holders of Tier 1 capital. The net amount received at the time of issue is expected to be recognized as an increase in equity. Interest payments are expected to be accounted for as dividends, which will be recognized directly in equity at the time the payment is decided by the Company.

The equity of Codan Denmark as of 31 December 2020 is eliminated upon the combination of the pro forma financial balance sheet.

## Note 5 Subordinated debt

Issue of new tier 2 notes by Alm. Brand A/S	1,300
Redemption of subordinated loan capital Alm. Brand A/S	-250
Redemption of subordinated loan capital Alm. Brand Forsikring A/S	-150
<b>Subordinated loan capital</b>	<b>900</b>

The Acquisition will partly be financed by the issue of new tier 2 capital notes on 14 October 2021 by the Company in the amount of DKK 1,300 million. The amount will be reduced by transaction costs.

The existing subordinated loan capital of the Company and Alm. Brand Forsikring A/S, that is redeemed in June 2021, is assumed redeemed as of 31 December 2020 for the purpose of the pro forma balance sheet. Reference is made to Part I, section 17.1 – "Related party transactions – "Details of related party transactions of the Group".

## 13.9 Unaudited pro forma balance sheet relating to the Enlarged Group as at 30 September 2021

**Table no. 78 – Unaudited proforma balance sheet**

<b>DKKm</b>	<b>Group as of 30 September 2021, I)</b>	<b>Pro forma regulations regarding dis-contin- ing activi- ties, II)</b>	<b>Codan Den- mark, II)</b>	<b>Pro forma regulations regarding the acquisi- tion</b>	<b>Notes</b>	<b>Pro forma result III)</b>
<b>Assets</b>						
Goodwill			141	7,919		8,060
Customer relation- ships				1,066		1,066
Brand				978		978
Other intangible assets	27		474	-132		369
Intangible assets	27		615	9,831	1	10,473
Reinsurers' share of insurance con- tracts	268		609			877
Furniture and equipment, com- puters, cars, etc.	2		7			9
Leased furniture and equipment, computers, cars, etc. and properties	122		202			324
Prepayments, in total	57		121			178
Other assets	47					47
Receivables in connection with di- rect insurance	133		760			893
Balances due from other insurance companies	32		70			102
Balances due from group enterprises	0		3,636			3,636
Other debtors	226		62			288
Other assets	619		4,858			5,477
Loans	609		376			985

<b>DKKm</b>	<b>Group as of 30 September 2021, I)</b>	<b>Pro forma regulations regarding dis-contin- ing activi- ties, II)</b>	<b>Codan Den- mark, II)</b>	<b>Pro forma regulations regarding the acqui- sition</b>	<b>Notes</b>	<b>Pro forma result III)</b>
<i>Equity invest- ments</i>	484		283			767
<i>Unit trust units</i>	9,226		589			9,815
<i>Bonds</i>	0		9,878			9,878
<i>Other investment assets</i>	142		2			144
Investment assets	9,852		10,752			20,604
Asset held for sale	18,536	-18,536	0			0
Cash in hand and demand deposits	213	1,115	461	-2,249	2	-460
<b>Total assets</b>	<b>30,124</b>	<b>-17,421</b>	<b>17,671</b>	<b>7,582</b>		<b>37,956</b>
<b>Liabilities</b>						
Consolidated shareholder's eq- uity	3,271	545	4,810	5,432		14,058
Restricted tier 1 capital III)				400		400
Total equity and tier 1 capital	3,271	545	4,810	5,832	3	14,458
Subordinated debt	0			1,300	4	1,300
<i>Unearned pre- mium provisions</i>	1,461		1,127			2,588
<i>Profit margin on non-life insurance contracts</i>	352		417			769
<i>Outstanding claims provisions</i>	5,762		8,584			14,346
<i>Bonus and pre- mium discounts provisions</i>	0		65			65
<i>Risk margin on non-life insurance contracts</i>	245		663			908
Provisions for in- surance contracts	7,820		10,856			18,676
Other provisions	15		24			39
Deferred tax liabili- ties	12		432	450	1	894
Issued bonds	157					157
Current tax liabili- ties	120		96			216
<i>Payables related to direct insurance</i>	74		123			197
<i>Payables related to reinsurance</i>	3		16			19
<i>Payables to group enterprises</i>	4		634			638
<i>Other payables</i>	538	-26	655			1,167
<i>Deferred income</i>	20		25			45
Other liabilities	639	-26	1,453			2,092
Liabilities related to assets held for sale	17,940	-17,940	0			0

<b>DKKm</b>	<b>Group as of 30 September 2021, I)</b>	<b>Pro forma regulations regarding dis-contin- ing activi- ties, II)</b>	<b>Codan Den- mark, II)</b>	<b>Pro forma regulations regarding the acquisi- tion</b>	<b>Notes</b>	<b>Pro forma result III)</b>
Payables to credit institutions and central banks	150					150
<b>Total liabilities and equity</b>	<b>30,124</b>	<b>-17,421</b>	<b>17,671</b>	<b>7,582</b>		<b>37,956</b>

Items and numbers in *italics* are specifications.

I) The assets and liabilities of the Group have been extracted without adjustments from the Q1 – Q3 2021 Condensed Interim Financial Statements of the Group.

II) Pro forma regulations regarding discontinuing activities represent exclusion of all eliminations in the Group concerning assets and liabilities of Alm. Brand Liv & Pension that in the Q1 – Q3 2021 Condensed Interim Financial Statements of the Group are presented as assets held for sale and liabilities related to assets held for sale due to a share purchase agreement the Group has entered into on 1 October 2021 regarding the sale of the entire share capital of Alm. Brand Liv & Pension A/S. An inter group balance of DKK 26 million, that has been eliminated in the Condensed Interim Financial Statements, becomes external liability upon the exclusion of Alm. Brand Liv & Pension. For the proforma pro forma balance sheet as at 30 September 2021 it is assumed that Alm. Brand Liv & Pension A/S would have been sold for cash consideration corresponding to the equity value of DKK 570 million plus a gain of DKK 545 million net of any related costs (in total DKK 1,115 million).

III) The assets and liabilities of Codan Denmark have been extracted from the Condensed Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark, included in Part IV, section 2 – "Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019, and 2018 Codan Denmark Combined Carve-Out Financial Statements for the Financial years ended 31 December 2020, 2019 and 2018" of this Prospectus. Assets and liabilities of Codan Denmark have in the table above been presented in accordance with the Group's presentation of its balance sheet. The individual lines are in a different order and some line items are aggregated in the table above.

IV) The pro forma balance sheet does not take into account any trading of the Group or Codan Denmark subsequent to 30 September 2021.



## Note 1 Preliminary Purchase Price Allocation

Shareholder's equity of Codan Denmark as at 31 December 2020	3,451
Total comprehensive income in the period 1 January to 30 September 2021	388
Capital injection in the period	79
Other capital adjustments in the period	892
<b>Shareholder's equity of Codan Denmark as at 30 September 2021</b>	<b>4,810</b>
Capital adjustments according to the Demerger Agreement	-1,138
Adjustment for goodwill recognized in the financial statements of Codan Denmark	-141
Fair value adjustments of other intangible assets	-132
<b>Adjusted carrying amount of net assets purchased</b>	<b>3,399</b>
Preliminary estimate of fair value of customer relation	1,066
Preliminary estimate of fair value of brand	978
Deferred tax of customer relation and brand	-450
<b>Preliminary estimate of value of customer relation and brand, net</b>	<b>1,594</b>
Goodwill	8,060
<b>Purchase price Codan Denmark adjusted as of 30 September 2021</b>	<b>13,053</b>
<i>Goodwill</i>	
Goodwill from the Acquisition of Codan Denmark	8,060
Elimination of goodwill in Codan Denmark	-141
<hr/>	
Pro forma regulation	7,919

The agreed purchase price for Codan Denmark has been adjusted for the total comprehensive income in the period 1 January to 30 September 2021 and capital injection in the period according to the Share Purchase Agreement, thus goodwill calculated for the purpose of the proforma pro forma balance sheet as of 30 September 2021 remains the same as calculated for the purpose of the proforma pro forma balance sheet as of 31 December 2020.

For the preliminary estimate of the fair value of assets acquired and liabilities assumed it is assumed that except for the fair value of customer relations, brand and other intangible assets the assets and liabilities presented in the Q1 – Q3 2021 Carve-out Condensed Interim Financial Statements of Codan Denmark represent their fair value as of 30 September 2021, thus, no purchase price allocation has been carried out on other assets and liabilities. The preliminary estimate of the fair value of customer relation is based on forecasted earnings and an estimated retention rates reduced to zero linear over 8 years whereas the relief from royalty method is used for the estimate of the fair value of the brand using a royalty percentage of 2 and life of the brand of 10 years. The fair value adjustments of other intangible assets relate to IT system and is based on an assessment of the value that marked participants are willing to pay for a system designed for a specific business. The assessment of the useful life is adjusted accordingly, thus, the amortisations recognized in the Q1 – Q3 2021 Carve-Out Condensed Interim Financial Statements of Codan Denmark are kept unchanged.

The carrying amount of the net assets according to the combined carve-out balance sheet as at 30 September 2021 for Codan Denmark has for the purpose of the pro forma balance sheet been adjusted to reflect capital adjustment in the amount of DKK -1,138 million agreed in the Demerger Agreement by distribution of cash.

Goodwill recorded in Codan Denmark has been reversed and included in calculation of goodwill on the entire Acquisition.

**Note 2 Cash balance and balances at call**

Proceeds from the Offering	10,472
Estimated costs related to the Offering	-230
Issue of new tier 2 capital	1,300
Issue of new restricted tier 1 capital	400
Purchase price of Codan Denmark	-13,053
Capital adjustments according to the Demerger Agreement by distribution of cash	-1,138
<b>Pro forma adjustment cash balances and balances at call</b>	<b>-2,249</b>

This includes a preliminary estimate of the net proceeds from the Offering and the purchase price of Codan Denmark according to the Share Purchase Agreement adjusted for total comprehensive income in the period 1 January to 30 September 2021 and capital injection in this period. The capital adjustments agreed in the Demerger Agreement will be settled by distribution of cash out of Codan Denmark. If there will not be sufficient cash in Codan Denmark the capital adjustment may be settled by sale of bonds.

The net cash inflow of DKK 1,300 million comes from issue of new tier 2 capital notes on 14 October 2021. Further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering.

**Note 3 Consolidated shareholders' equity**

Subscription of new shares	10,472
Estimated costs related to the Offering	-230
<b>Net capital increase upon the Offering</b>	<b>10,242</b>
Elimination equity of Codan Denmark	-4,810
	5,432
Restricted tier 1 capital	400
<b>Pro forma adjustment to consolidated shareholders' equity</b>	<b>5,832</b>

This adjustment reflects the net proceeds from the Offering and, further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering. The tier 1 capital is expected to be accounted for as equity as it is expected not to include any contractual obligation to deliver cash or another financial asset to the holders. The Company will, at its sole discretion, omit payment of interest and principal payments to the holders of tier 1 capital. The net amount received at the time of issue is recognized as an increase in equity. Interest payments are accounted for as dividends, which are recognized directly in equity at the time the payment is decided by the Company.

The equity of Codan Denmark as of 30 September 2021 is eliminated upon the combination of the pro forma financial balance sheet.

**Note 4 Subordinated debt**

Issue of new tier 2 notes by the Company	1,300
<b>Subordinated loan capital</b>	<b>1,300</b>

The Acquisition will partly be financed by the issue of new tier 2 capital notes 14 October 2021 by the Company in the amount of DKK 1,300 million. The amount will be reduced by transaction costs.

## 14. PROFIT FORECASTS OR ESTIMATES

### 14.1 Statement by the Management

The consolidated prospective financial information for the financial year ending 31 December 2021 as presented below represents the best estimates of the Management as at the Prospectus Date.

The Group's actual results of operations for the financial year ending 31 December 2021 may differ from the consolidated prospective financial information for 2021, since anticipated events may not occur as expected, or may materially differ from the assumptions on which the consolidated prospective financial information is prepared. As the Acquisition is expected to be completed during the first half year of 2022, the consolidated prospective financial information for the financial year ending 31 December 2021 does not include any prospective financial information of the Enlarged Group. The variation may be material. Shareholders and prospective investors should read the consolidated prospective financial information for 2021 in conjunction with the uncertainties and risks described elsewhere in the Prospectus, including in "Risk Factors".

The consolidated prospective financial information of the Group for the financial year ending 31 December 2021 has been compiled and prepared on a basis which is both comparable with historical financial information and consistent with the Company's accounting policies which are in accordance with IFRS as adopted by the EU.

Copenhagen, 8 November 2021

#### Board of Directors

Jørgen Hesselbjerg Mikkelsen  
*Chairman*

Jan Skytte Pedersen  
*Deputy chairman*

Tina Keith Schmidt Madsen  
*Board member*

Karen Sofie Hansen-Hoeck  
*Board member*

Boris Nørgaard Kjeldsen  
*Board member*

Anette Eberhard  
*Board member*

Per Viggo Hasling Frandsen  
*Board member*

Pia Laub  
*Board member*

Lotte Kathrine Sørensen  
*Employee elected member*

Claus Nexø Jensen  
*Employee elected member*

Brian Egested  
*Employee elected member*

## **Executive Management**

Rasmus Werner Nielsen  
*Group CEO*

### **14.2 Introduction**

The consolidated prospective financial information of the Group for the financial year ending 31 December 2021 has been prepared on a basis which is both comparable with historical financial information and consistent with the Group's accounting policies. Such information is the responsibility of the Board of Directors and the Executive Management.

The consolidated prospective financial information of the Group is necessarily based upon a number of assumptions and estimates that, while prepared with numerical specificity and considered reasonable, are inherently subject to significant business, operational, economic, political, legal and competitive uncertainties and contingencies, many of which are beyond the Group's influence, and upon assumptions with respect to future business decisions that are subject to change.

The expectations as to future developments set forth herein may deviate substantially from actual developments, and the actual results of operations are likely to deviate, and may deviate materially, from the consolidated prospective financial information for the financial year ending 31 December 2021, since anticipated events may not occur as expected, or may materially differ from the assumptions on which the consolidated prospective financial information is based. Accordingly, shareholders and prospective investors should treat this information with caution and not place undue reliance on the expectations set forth below. See section 2.3 – "Special notice regarding forward looking statements".

The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Company's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Company. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Prospectus are cautioned not to place undue reliance on the prospective financial information.

Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

### 14.3 Methodology and assumptions

The consolidated prospective financial information for the financial year ending 31 December 2021 reflects the Group's estimates and assumptions concerning the Group's performance through 31 December 2021. The consolidated prospective financial information has been prepared on the basis of the Group's accounting policies, which are in accordance with IFRS as adopted by the EU and as set out in the notes to the 2020 Consolidated Financial Statements. Reference is made to Part I, section 4.2 – "Presentation of financial information" – "Presentation of financial information for the Group".

The consolidated prospective financial information for the financial year ending 31 December 2021 has been prepared in conjunction with the Group's normal budgeting and forecasting procedures.

The consolidated prospective financial information reflects the Group's actual performance in the period from 1 January 2021 until 30 September 2021, as reflected in the Q1 – Q3 2021 Condensed Interim Financial Statements incorporated by reference to this Prospectus in Part I, section 19.1 – "Additional information" – "Financial statements", and updated estimates and assumptions concerning the Group's expected performance through 31 December 2021.

The consolidated prospective financial information for the financial year ending 31 December 2021 has been prepared on the basis of a large number of assumptions and estimates, which are subject to numerous and significant uncertainties. Certain of the assumptions, estimates, uncertainties and contingencies relating to the consolidated prospective financial information are wholly or partly within the Group's control, while others are outside of its control and/or influence, including those related to changes in market, legal, fiscal, political or economic conditions, changes in interest or currency exchange rates and actions by competitors and customers.

The key principle assumptions and estimates made in preparing the consolidated prospective financial information are presented below. However, the list is not exhaustive, and it is possible that one or more of the assumptions or estimates will fail to materialise or prove to be incorrect. The Group's results of operations could also deviate materially from the consolidated prospective financial information for the financial year ending 31 December 2021 as a result of other factors, including, but not limited to, those described further under the heading "Risk Factors".

For additional information regarding factors that have had and could have a substantial effect on the Group's results of operations, see Part I, section 10 – "Operating and financial review of the Group".

For the purpose of preparing the consolidated prospective financial information for the financial year ending 31 December 2021, the following principal assumptions have been applied:

### 14.3.1 General assumptions

For the consolidated prospective financial information for the financial year ending 31 December 2021 the Group's has estimated and assumed the following concerning the Group's performance through 31 December 2021:

- Codan Denmark is not included in the consolidated prospective financial information for the financial year ending 31 December 2021 (which is an assumption within the Group's control).
- The Consolidated prospective financial information for the financial year ending 31 December 2021 does include expected costs for the year related to the Acquisition but does not include synergies or restructuring costs (which is an assumption within the Group's control).
- There will be no significant changes to the existing political, legal, tax, market or economic conditions, including inflations, in Denmark that may have an impact on the Company's business (which is an assumption that is outside of the Group's control).
- There will be no significant weather-related events aside from estimates already calculated according to Alm. Brand Forsikring A/S' partial internal model for the rest of the financial year 2021 (which is an assumption that is outside of the Group's control).
- There will be no changes to existing legislation and/or regulations in Denmark that may have an impact on the Group's business, with the exceptions of what is stated elsewhere in this Prospectus (which is an assumption that is outside of the Group's control).
- There will be no material changes to Danish laws, rules and/or regulations on tax (which is an assumption that is outside of the Group's control).
- There will be no significant change in interest rates or in the financial market compared to the financial period ending 30 September 2021 (which is an assumption that is outside of the Group's control).
- No material legal action will be brought against the Group and no litigation will affect the obligation to pay claims (which is an assumption that is outside of the Group's control).

### 14.3.2 Assumptions related to insurance

#### *Gross earned premiums*

The estimate of gross earned premiums is adjusted to reflect the known changes in the portfolio in Q1 – Q3 2021 and corrected for expected deviations in the months to come (which is an assumption that is partly within the Group's control).

The estimated premium portfolio is adjusted for the general index price according to the policies as well as the known price adjustments that are expected to be implemented (which is an assumption that is partly within the Group's control).

Further, the following assumptions apply:

- Changes in premiums will be implemented in accordance with the Group's plans and the expected impact of the premium changes will be at the Group's discretion (which is an assumption that is partly within the Group's control).
- There are no material changes in the Group's premiums, customers or business as a result of competition in the Group's products or changes in the competitive landscape in the insurance industry in Denmark (which is an assumption that is partly within the Group's control).

#### *Claims*

The Group's expected gross claims ratios for the various products is based on historical claim ratios and the Group's overall performance, taking into account specific circumstances such as abnormal claims frequencies and profitability measures (which is an assumption that is outside of the Group's control).

Further, the expected gross claims ratios are adjusted for planned actions for each product (which is an assumption that is partly within the Group's control).

COVID-19 is expected to have an impact on future claims expenses in relation to travel insurance in the coming months in 2021. In relation to other products, the level of COVID-19 effects is expected to remain normal from August 2021. Contrary to this, increased distance working is expected to have a positive frequency effect on contents and motor insurance (which is an assumption that is outside the Group's control).

Weather-related claims and major claims are assessed separately and is calculated with expected expenses according to Alm. Brand Forsikring A/S' partial internal model. However, the expectations contained in this Prospectus are adjusted for realised claims experience until and including September 2021 (which is an assumption that is partly within the Group's control).

### *Reinsurance*

The expected impact of the Group's reinsurance programme is based on actual contracts and recovery is based on a normalised major and weather-related claims level. However, adjustments were made based on the realised claims experience in Q1 – Q3 2021 (which is an assumption that is partly within the Group's control).

### *Expenses*

The estimated expenses are based on the budget for 2021 including expected development in relation to full-time equivalents (FTEs), price adjustments and other initiatives (which is an assumption that is within the Group's control).

### *Investment return*

The composition of the Group's investment portfolio in the consolidated prospective financial information for 2021 is expected to be broadly similar to that in force as of 30 September 2021 in all material aspects (which is an assumption that is partly within the Group's control).

The expected result from investments is based on normalised standard returns where expectations are based on the general economic conditions. For the financial year 2021, shareholdings are expected to generate a return on around 5.4% a year. Bonds in the free portfolio are expected to generate a return of around 0.6%. Properties are expected to generate a return on around 4% a year.

## **14.3.3 Assumptions related to other activities**

Other activities comprise the results of the Company and Alm. Brand PIA A/S. Alm Brand PIA A/S was established in 2020 and bought the mortgage deed and debt collection portfolio from Alm. Brand Banks A/S. The estimated expenses of DKK 90 million related to the Acquisition is included in the Company's expectations for the financial year 2021 and reverse of provision from 2002 regarding the carve-out of the bank.

Further, realised negative value adjustments of unlisted shares and a capital loss in connection with the repayment of subordinated capital have an impact on the expected income for the financial year 2021.

### *Discontinued activities*

The result of Alm. Brand Liv og Pension is included in the expectations for the financial year 2021 as a discontinued activity, due to conditional share purchase agreement entered into on 1 October 2021 between Alm. Brand Forsikring A/S and Nordic I&P DK ApS regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. The expectations for Alm. Brand Liv og Pension include the full year as the closing of the sale is expected at the end of the year.



The result of Alm. Brand Liv og Pension is based on contribution rules according to the Executive Order on the contribution principle issued by the Danish FSA. This means that profit/loss for the year allocated to the owner is calculated on the basis of allocation criteria that are submitted to the Danish FSA.

The expected premiums and claims for the year 2021 are based on the realised levels at the end of September 2021. The expectations for the year 2021 are then calculated on the basis of the realised levels.

#### **14.4 Prospective financial information for the financial year ending 2021**

Alm. Brand maintains its guidance for a total consolidated profit before tax from continuing and discontinued activities of DKK 1,200-1,250 million for 2021.

Non-life insurance (continuing activity) is expected to generate a profit before tax of DKK 800 million excluding the run-off result for the fourth quarter of the year. Furthermore, restructuring costs within the non-life segment of around DKK 60 million is expected due to the sale of Alm. Brand Liv og Pension.

The guidance for premiums growth is maintained at 1.5%-2.0%. The expense ratio for the full year is expected to be in line with the previously guided range of 17-17.5. The combined ratio is expected to be around 87.

The financial outlook is based on the assumption of continued low interest rates in 2021. The Group has a substantial portfolio of investment assets, and a continued low interest rate level therefore affects the Group's overall financial performance.

The guidance for other activities (continuing activity) is unchanged at a loss of DKK 175 million including costs related to the acquisition of Codan.

Moreover, the Group expects to report a profit from discontinuing activities of DKK 650-675 million before tax. For the life insurance segment, the guidance is unchanged at a profit before tax of DKK 100 million for 2021 with an additional expected profit from health/accident insurance of DKK 20 million before tax, which was previously included in the profit for non-life insurance segment. In addition, a gain of nearly DKK 545 million from the sale of Alm. Brand Liv og Pension is included after recognition of costs directly related to the transaction.

## **15. BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

### **15.1 Overview**

In compliance with Danish legislation, the Company has a two-tier management system consisting of the Board of Directors and the Executive Management. The two management bodies are separate and have no overlapping members. No information concerning specific key employees of the Company or the Group is included in the Prospectus.

### **15.2 Board of Directors**

The Board of Directors is responsible for the overall strategic management of the Company and the Group and it supervises the Company's and the Group's activities, Executive Management and organization. The Company is subject to the supervision of the Danish FSA.

There is an ongoing dialogue between the Board of Directors and the Executive Management, and the Executive Management reports to the Board of Directors according to defined guidelines. Further, the Board of Directors appoints and dismisses the members of the Executive Management.

As at the Prospectus Date, the Board of Directors consists of eight members elected by the shareholders at the general meeting and three members elected by the employees. Of the 11 board members, six are male and five are female. Three board members Pia Laub, Karen Sofie Hansen-Hoeck and Anette Eberhard are deemed to be independent as they do not serve on the board of directors of the Company's principal shareholder, the Association. The rest of the board members are not considered independent due to their relation and their positions as members of the board of directors of the Association.

In accordance with the Articles of Association, the shareholders represented at the general meeting shall elect between three and 12 members of the Board of Directors. The members of the Board of Directors elected by the general meeting are elected for a term of one year and may be re-elected. The Board of Directors elects its chairman ("Chairman") and its deputy chairman ("Deputy Chairman").

The Board of Directors constitutes a quorum when more than half of its members, including the Chairman or the Deputy Chairman, are represented. Resolutions made by the Board of Directors are passed by a simple majority of votes. In case of an equality of votes, the Chairman's vote is decisive.

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

The Company believes that the members of the Board of Directors possess the professional skills and experience required to serve as members of the Board of Directors and to supervise and manage a company with shares admitted to trading and official listing on Nasdaq Copenhagen.

On 12 July 2021, the Company announced changes to the Board of Directors whereby Tina Schmidt Madsen was appointed as a board member (alternate) as a consequence of one of the board member's resignation.

The current members of the Board of Directors and Executive Management operate from the Company's address on Midtermolen 7, Postboks 2687, DK 2100 København Ø.

The following table presents an overview of the current composition of the Board of Directors:

**Table no. 79 – Board of Directors**

<b>Name:</b>	<b>Position:</b>	<b>Independency<sup>1</sup>:</b>	<b>Year of first appointment:</b>	<b>Expiration of term:</b>
Jørgen Hesselbjerg Mikkelsen	Chairman	Not independent	1994	2022
Jan Skytte Pedersen	Deputy chairman	Not independent	2010	2022
Karen Sofie Hansen-Hoeck	Board member	Independent	2013	2022
Boris Nørgaard Kjeldsen	Board member	Not independent	2003	2022
Anette Eberhard	Board member	Independent	2015	2022
Per Viggo Hasling Frandsen	Board member	Not independent	2009	2022
Pia Laub	Board member	Independent	2020	2022
Tina Keith Schmidt Madsen	Board member	Not independent	2021	2022
Lotte Kathrine Sørensen	Board member <sup>2</sup>	Not independent	2020	2022
Claus Nexø Jensen	Board member <sup>2</sup>	Not independent	2018	2022
Brian Egested	Board member <sup>2</sup>	Not independent	2014	2022

<sup>1</sup>Independency assessment is made by the Board of Directors based on the Corporate Governance Recommendations. Board members listed as "not independent" above are considered non-independent due to their relation and their positions as members of the board of directors of the Company's major shareholder, the Association.

<sup>2</sup>Employee elected members

#### **15.2.1.1 Biographies**

Other than as presented below, none of the members of the Board of Directors has been a member of the administrative, management or supervisory bodies of a company or a partnership or been a partner in a partnership outside the Company within the past five years.

**Jørgen Hesselbjerg Mikkelsen** (born in 1954, Danish nationality) has been chairman of the Board of Directors since 2009 and the Association since 2010. Jørgen Hesselbjerg Mikkelsen is currently chairman of the board of directors of DANISH AGRO A.M.B.A and DANISH AGRO FINANCE A/S, deputy chairman of the board of directors of DAN AGRO HOLDING A/S and member of the board of directors of SJÆLLANDSKE MEDIER A/S, HESSELBJERG AGRO A/S, LANDBRUG & FØDEVARER F.M.B.A., DV INTERNATIONAL HOLDING A/S, VILOMIX INTERNATIONAL HOLDING A/S, DAVA FOODS HOLDING A/S, Danish Agro Machinery Holding A/S and DanHatch Holding A/S. Further, Jørgen Hesselbjerg Mikkelsen is a member of the executive management of JHM HOLDING 2010 ApS. In the past five years, Jørgen Hesselbjerg Mikkelsen has previously been a member of the board of directors of DA SHOPPEN A/S (chairman), DanPiglet A/S, FORSIKRINGSSKABET ALM. BRAND LIV OG PENSION A/S, Syd ABB A/S (former Alm. Brand Bank A/S) (chairman), SJÆLLANDSKE MEDIER A/S (substitute), ALM. BRAND FORSIKRING A/S, DANISH AGRO BYGGECEENTER A/S (chairman), Danish Agro Trading A/S (deputy chairman). Jørgen Hesselbjerg Mikkelsen has experience in general management and from the Group's customer segments. Further, Jørgen Hesselbjerg Mikkelsen has experience in audit and accounting matters and insight into financial matters and economic matters. In addition, Jørgen Hesselbjerg Mikkelsen has experience in risk management, solvency statement and investments, including merger and acquisitions and integration processes related thereto. Jørgen Hesselbjerg Mikkelsen holds a farmer education.

**Jan Skytte Pedersen** (born in 1956, Danish nationality) has been deputy chairman of the Board of Directors and the Association since 2016. Jan Skytte Pedersen is currently member of the board of directors of RINGVEJENS AUTOLAKERERI A/S, HERM. RASMUSSEN A/S MALERFORRETNING, HERM. RASMUSSEN A/S ERHVERVSEJENDOMME MALERFIRMAET FR. NIELSEN OG SØN. SKANDERBORG. AKTIESELSKAB, HERM. RASMUSSEN A/S HOLDING, Ejendomsselskabet Lysbroengen P/S, Rederiet Viking P/S and Søfronten Herning P/S, Silkeborg Fodbold College, Fabrikant Michael Sørensens Fond and Alm. Brand Fond. Further, Jan Skytte Pedersen is currently member of the executive management of MALERFIRMAET FR. NIELSEN OG SØN. SKANDERBORG. AKTIESELSKAB, HERM. RASMUSSEN A/S HOLDING and MFP Holding, Silkeborg ApS. In the past five years, Jan Skytte Pedersen has previously been a member of the board of directors of FORSIKRINGSSKABET ALM. BRAND LIV OG PENSION A/S, SILKEBORG IF INVEST A/S, Syd ABB A/S (former Alm. Brand Bank A/S) (chairman and board member), ALM. BRAND FORSIKRING A/S, Eniig a.m.b.a. (chairman and deputy chairman), K/S PAPIRFABRIKKEN and Eniig Holding A/S (deputy chairman). Jan Skytte Pedersen has experience in general management and from the Group's customer segments. Further, Jan Skytte Pedersen has experience in audit and accounting matters and insight into financial matters and economic matters. Finally, Jan Skytte Pedersen has experience in risk management, solvency statement and investments and has a background in banking.

**Tina Keith Schmidt Madsen** (born in 1968, Danish nationality) has been a member of the Board of Directors and in the Association since July 2021. Tina Keith Schmidt Madsen is currently a member of the board of directors of the Association. Further, Tina Keith Schmidt Madsen is a member of the executive management of TSM Holding ApS, SCHMIDT ADVICER ApS, SCHMIDT EJENDOMME ApS and SCHMIDT INVEST ApS. In the past five years, Tina Keith Schmidt Madsen has previously been a member of the executive management in Schmidt Invest 2 ApS. Tina Keith Schmidt Madsen has experience in strategic management and planning,

mergers and acquisitions, financial management, purchasing, negotiation, organisational development, production management and rationalisation and board work, and holds a Cand.Oecon from Aarhus University.

**Karen Sofie Hansen-Hoeck** (born in 1965, Danish nationality) has been a member of the Board of Directors since 2013. Karen Sofie Hansen-Hoeck is currently chairman of the board of directors of MADKULTUREN, deputy chairman of the board of directors of DABA – Danish-African Business Organisation, and member of the board of directors of DANSKE SPIL A/S, FAIRTRADE MÆRKET DANMARK FONDEN, SOFTLINE A/S, FødevarerBanken and Connecting Food Holding ApS. Further, Karen Sofie Hansen-Hoeck is currently member of the executive management of Producters ApS and Connecting Food Holding ApS (chief executive officer). In the past five years, Karen Sofie Hansen-Hoeck has previously been a member of the board of directors of GOOD FOOD GROUP A/S, Sirius Home A/S, GREEN FOOD HOLDING A/S, ALFRED PEDERSEN & SØN ApS, MUP EJENDOMME A/S and Scandinavian Cannabis A/S and a member of the executive management (CEO) of Fooducer ApS and Retail Network ApS. Karen Sofie Hansen-Hoeck has experience in general management and from the Group's customer segments. Further, Karen Sofie Hansen-Hoeck has insight into in marketing, sustainability, business development, legal matters, economic matters, financial matters and general insight into IT matters and digitalization. Karen Sofie Hansen-Hoeck holds a retail leadership & management education from Salling Group and an Executive Leadership Masterclass from Copenhagen Business School.

**Boris Nørgaard Kjeldsen** (born in 1959, Danish nationality) has been a member of the Board of Directors and the Association since 2016. Boris Nørgaard Kjeldsen is currently chairman of the board of directors of KEMP & LAURITZEN A/S, and member of the board of directors of AG Gruppen A/S, AG Development A/S, ØRESTAD SYD A/S, AG Construction A/S, BENNY JOHANSEN & SØNNER A/S, DAVISTA K/S, AMAGER ERHVERVSFORENING A/S, AMAGER STRANDVEJ 100 A/S, Ørestad Syd 2015 A/S and AG Investments A/S. In the past five years, Boris Nørgaard Kjeldsen has previously been a member of the board of directors of FORSIKRINGSSKABET ALM. BRAND LIV OG PENSION A/S, Syd ABB A/S (former Alm. Brand Bank A/S) (deputy chairman and board member), ALM. BRAND FORSIKRING A/S, DAVISTA KOMPLEMENTARSELKAB A/S, DAVISTA K/S, Newsec Property Asset Management Denmark A/S, RÅDHUSPLADSEN ApS and Aarhus Syd Ejendomme ApS (chairman), and member of the executive management of DADES A/S (chief executive officer), DAVISTA KOMPLEMENTARSELKAB A/S, RÅDHUSPLADSEN ApS (chief executive officer), DAVISTA K/S, SOEBORG EJENDOMME ApS (chief executive officer), Snedkerhaven Hvidovre ApS (chief executive officer), Fisketorvet 2 Odense ApS (chief executive officer), Slotsengen Hillerød ApS (chief executive officer), Køge Kyst I ApS (chief executive officer), DADES Bolig ApS, Bækkeskovvej ApS, DADES 4 ApS, DADES 2 ApS, DADES 10 ApS, DADES 7 ApS, DADES 9 ApS, DADES 8 ApS, Waves ApS, DADES Center/Box Holding ApS, DADES 5 ApS, DADES 6 ApS, DADES 3 ApS, DADES Erhverv/Bolig Holding ApS, DADES Erhverv ApS, DADES Center Vest ApS, DADES Center Øst ApS and DADES Box ApS, Aarhus Syd Ejendomme ApS (chairman), and member of the executive management of Aarhus Syd Ejendomme ApS (chief executive officer), ApS LS nr. 909 (chief executive officer), Klövern Gammel Kongevej ApS, Glaskuben, Kbh. V ApS, Tuborg Boulevard 1, Hellerup ApS, Helleruphus, Hellerup ApS, Ryesgade – Blegdamsvej, Østerbro ApS, Kobbetårnet, Østerbro ApS, Winghouse, Ørestaden ApS, Lyngbyvej 14-28,

Østerbro ApS, Frederikskaj, Kbh. K ApS and Gl. Lundtoftevej 1-9, Lyngby ApS. Boris Nørgaard Kjeldsen has experience in general management and from the Group's customer segments. Further, Boris Nørgaard Kjeldsen has experience in audit and accounting matters and insight into financial matters, legal matters, economic matters and general insight into IT matters. Finally, Boris Nørgaard Kjeldsen has experience in risk management, solvency statement and investments and holds a Master of Law and is authorised attorney-at-law.

**Anette Eberhard** (born in 1961, Danish nationality) has been a member of the Board of Directors and chairman of audit and risk committee since 2015. Anette Eberhard is currently deputy chairman of the board of directors in IFU, Investment Fund For Developing Countries and a member of the executive management of IIP Denmark GP ApS (former PKA AIP A/S), IIP Denmark P/S (Managing Partner and CEO), PKA Private Funds III GP ApS and PKA Private Funds IV GP ApS and SEEKEE ApS. In the past five years, Anette Eberhard has previously been a member of the board of directors of FORSIKRINGSSELSKABET ALM. BRAND LIV OG PENSION A/S, Syd ABB A/S (former Alm. Brand Bank A/S), ALM. BRAND FORSIKRING A/S, PENSIONSKASSEN FOR SUNDHEDSFAGLIGE, SUNDHEDSFAGLIGES EJENDOMSAKTIESELSKAB, and member of the executive management of EKSPORT KREDIT FINANSIERING A/S and EKF Danmarks Eksportkredit. Anette Eberhard has experience in general management and from the Group's customer segments. Further, Anette Eberhard has experience in audit and accounting matters, general insight into economic matters and IT matters. Finally, Anette Eberhard has experience in risk management, investing, solvency statement and holds a Master of Economics.

**Per Viggo Hasling Frandsen** (born in 1952, Danish nationality) has been a member of the Board of Directors since 2009 and of the Association since 2010. Further, Per Viggo Hasling Frandsen is chairman of the board of directors of SIA Per Frandsen LV (reg. no 50003989721). In the past five years, Per Viggo Hasling Frandsen has previously been a member of the board of directors of FORSIKRINGSSELSKABET ALM. BRAND LIV OG PENSION A/S and ALM. BRAND FORSIKRING A/S. Per Viggo Hasling Frandsen has experience in general management and from the Group's customer segments. Further, Per Viggo Hasling Frandsen has insight into financial matters, economic matters and investments and holds a farmer education.

**Pia Laub** (born in 1969, Danish nationality) has been a member of the Board of Directors since 2020. Pia Laub is currently member of the board of directors of Det Nationale Sorgcenter, Behandlings-, Videns- og Kompetencecenter S/I and Ny Carlsberg Glyptotek. In the past five years, Pia Laub has previously been a member of the board of directors of FORSIKRINGSSELSKABET ALM. BRAND LIV OG PENSION A/S, ALM. BRAND FORSIKRING A/S, CFC Reinsurance S.A and BORNHOLMS BRANDFORSIKRING A/S (substitute) and member of the executive management of Topdanmark A/S (Executive VP). Pia Laub has experience in general management and from the Group's customer segments. Further, Pia Laub has experience in audit and accounting matters, insight into financial matters, legal matters, economic matters, ESG and general insight into IT matters digitalisation. Finally, Pia Laub has experience in risk management and solvency statement and holds a BSc in mathematics and economics from Copenhagen Business School and a European Master in Management (EMIM) from ESCP Business School.

**Lotte Kathrine Sørensen** (born in 1974, Danish nationality) has been a member of the Board of Directors as employee elected member and the Association since 2020. In the past five years, Lotte Kathrine Sørensen has previously been a substitute of the board of directors of the Company and the Association. Lotte Kathrine Sørensen has experience from the Group's customer segments and holds a qualification at level 5 from the Insurance Academy (Forsikringsakademiet) and a bachelor's degree in business economics (HA Almen).

**Claus Nexø Jensen** (born in 1966, Danish nationality) has been a member of the Board of Directors as employee elected member and the Association since 2018. Further, Claus Nexø Jensen is currently chairman of the board of directors of Assurandørforeningen i Alm. Brand (the labour union for insurers in the Company), deputy chairman of Finansforbundet Assurandørerne and a member of the board of directors of Alm. Brand Fond. Claus Nexø Jensen has experience from the Group's customer segments and management experience within the travel industry and holds a Bachelor of Commerce in Marketing and has a diploma in non-life insurance within the commercial and farmer customer segment and a diploma in life insurance and pension.

**Brian Egested** (born in 1969, Danish nationality) has been a member of the Board of Directors as employee elected member and the Association since 2014. Brian Egested has experience from the Group's customer segments and in general management and holds a Master of Business Administration.

### 15.3 Executive Management

The Executive Management is appointed by the Board of Directors and responsible for the day-to-day management. As at the Prospectus Date the Executive Management is composed of one member being the chief executive officer ("CEO") of the Company.

**Table no. 80 – Executive Management**

<b>Name:</b>	<b>Position:</b>	<b>Year of first appointment in the Company:</b>	<b>Year of appointment of current position</b>
Rasmus Werner Nielsen	CEO	2019	2019

#### 15.3.1.1 Biography

Other than as presented below, the CEO has not been a member of the administrative, management or supervisory bodies of a company or a partnership or been a partner in a partnership outside the Company within the past five years.

**Rasmus Werner Nielsen** (born in 1969, Danish nationality) has been CEO of the Company since 2019, where he took on the position as interim CEO of the Company. In June 2020 the position was made permanent, when Rasmus Werner Nielsen was appointed as CEO by the Board of Directors of the Company. Rasmus Werner Nielsen was chief financial officer (CFO) in the Company in 2017-2019. Rasmus Werner Nielsen is currently chairman of the board of directors of FORSIKRINGSSKABET ALM. BRAND LIV OG PENSION A/S, ALM. BRAND FORSIKRING A/S, ALM. BRAND PRÆMIESERVICE A/S, PENSIONSKASSEN UNDER ALM.

BRAND A/S (PENSIONSFAVIKLINGSKASSE), ALM. BRAND EJENDOMSINVEST A/S and Alm. Brand PIA A/S and member of the board of directors of Forsikringsorganisationernes Fællessekretariat F.M.B.A. Further, Rasmus Werner Nielsen is currently member of the executive management of the Association (chief executive officer). In the past five years, Rasmus Werner Nielsen has previously been a member of the board of directors of FORSIKRINGSSELSKABET ALM. BRAND LIV OG PENSION A/S (both as board member and as deputy chairman), FORSIKRING & PENSION, FIONIA ASSET COMPANY A/S, Syd ABB A/S (former Alm. Brand Bank A/S), ALM. BRAND FORSIKRING A/S (chairman, deputy chairman and board member) ALM. BRAND PRÆMIESERVICE A/S, PENSIONS KASSEN UNDER ALM. BRAND A/S (PENSIONSFAVIKLINGSKASSE) (substitute), Nordea Danmark, Filial af Nordea Bank Abp, Finland (branch office manager), ALM. BRAND EJENDOMSINVEST A/S, EJENDOMSSELSKABET VESTRE STATIONSVEJ 7, ODENSE A/S, NJK1 ApS and EJENDOMSSELSKABET AB ApS and member of the executive management of ALM. BRAND FORSIKRING A/S. Rasmus Werner Nielsen has experience in finance and business control from the banking industry and in tax/VAT, legal and management reporting. Further, Rasmus Werner Nielsen has experience in audit primarily within financial institutions, investment funds, insurance companies (life and non-life business) and telecom. Rasmus Werner Nielsen holds a Master of Science (M.Sc.) in Auditing, Accounting & Business Administration from Copenhagen Business School.

#### **15.4 Statement of kinship**

There are no family relations among the members of the Board of Directors and/or the Executive Management.

#### **15.5 Statement on past records**

None of the members of the Board of Directors and the Executive Management has been (i) convicted of fraudulent offenses; (ii) directors or officers of companies that have entered into bankruptcy, receivership, liquidation or companies put under administration, except as set out immediately below; or (iii) subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), and have not been disqualified by a court from acting as a member of an issuer's board of directors, executive management or supervisory body or from acting in the management or conduct of the affairs of any issuer.

Jørgen Hesselbjerg Mikkelsen was member of the board of directors (deputy chairman in 2017) of Danish Agro Trading A/S until 2017, when the company was dissolved following declaration.

Boris Nørgaard Kjeldsen was chairman of the board of directors and member of the executive management (chief executive officer) of Aarhus Syd Ejendomme ApS until 2019, when the dissolved following merger, and member of the executive management (chief executive officer) of ApS LS nr. 909 until 2017, when the company was dissolved following merger. Further, Boris Nørgaard Kjeldsen was a member of the executive management of Glaskuben, Kbh. V ApS, Tuborg Boulevard 1, Hellerup ApS, Helleruphus, Hellerup ApS, Rymsgade – Blegdamsvej, Østerbro ApS, Kobbetårnet, Østerbro ApS, Winghouse, Ørestaden ApS, Lyngbyvej 14-28, Østerbro ApS, Frederikskaj, Kbh. K ApS and Gl. Lundtoftevej 1-9, Lyngby ApS until 2020, when all the companies were dissolved following declaration.



## **15.6 Conflicts of interest**

### **Statement on conflicts of interest**

Jørgen Hesselbjerg Mikkelsen, Jan Skytte Pedersen, Tina Keith Schmidt Madsen, Boris Nørgaard Kjeldsen, Per Viggo Hasling Frandsen, Lotte Kathrine Sørensen, Claus Nexø Jensen and Brian Egested are considered as not independent board members due to their positions as board members of the Association. The Company is not aware of any other member of the Board of Directors or the Executive Management having been appointed to their current position pursuant to any arrangement or understanding with major shareholders, customers, suppliers or other parties.

No actual or potential conflicts of interest exist between any of the duties of the members of the Board of Directors and the Executive Management and their private interests or other duties, it being noted that Jørgen Hesselbjerg Mikkelsen is chairman of the board of directors of the Association, and Jan Skytte Pedersen is deputy chairman of the board of directors of the Association. Further, Tina Keith Schmidt Madsen, Boris Nørgaard Kjeldsen, Per Viggo Hasling Frandsen, Lotte Kathrine Sørensen, Claus Nexø Jensen and Brian Egested are all members of the board of directors of the Association. Finally, Rasmus Werner Nielsen is chief executive officer of the Association.

None of the members of the Board of Directors or the Executive Management have positions in other companies which could result in a conflict of interest vis-à-vis such companies, either because the Group has an equity interest in such company or because the Company or the Group have an ongoing business relationship, except for the members of the board of directors of the Association as outlined above. However, the Group may do business in the ordinary course with companies in which members of the Board of Directors or the Executive Management hold positions as directors or officers. Other than in relation to the Association, no material engagements exist between the Company/Group and entities where a member of the Board of Directors/Executive management hold positions.

### **Restrictions on securities trading**

A share-based remuneration programme offered to the Executive Management was established with effect from 1 July 2016. The award of shares by way of share-based remuneration took place in the months of June and December 2020, respectively. Further, the Company announced on 7 July 2021 that the Company has entered into an agreement with the Executive Management and other members of the Group's extended management under which up to 10% of the fixed salary may be allotted by way of Shares in accordance with the Group's remuneration policy and general guidelines. Shares are awarded twice annually. The agreement on share-based remuneration applies until 31 March 2022.

No restrictions apply in relation to the member of the Board of Directors' and the Executive Management's holding of Existing Shares in the Company.

## **15.7 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 reasonable 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 FSA on board evaluation. The evaluation also comprises e.g., the cooperation with the Company's Executive Management, the chairman's ability to lead the Board of Directors, committee work and the overall planning of board work.

An external consultant assisted in the board evaluation in 2020, which included an evaluation of the qualifications of new board members in combination with the qualifications of the other members of the Board of Directors, an update of the overview of the individual qualifications of all members of the Board of Directors as well as the Board of Directors' cooperation with at the time a newly appointed CEO. 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.

## **15.8 Remuneration**

The Company's remuneration policy is available on the Company's website, [www.almbrand.dk](http://www.almbrand.dk). Among other things, the remuneration policy contains information about the Group's share-based remuneration. In 2020, the Group complied with the remuneration policy adopted for 2020.

The information on the Company's website does not form part of this Prospectus and is not incorporated by reference into this Prospectus, unless specifically stated in Part I, section 19.1 – "Additional information" – "Financial statements".

### **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 at the 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.

## **Executive Management**

The members of the Executive Management 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 Executive Management in companies of the Group do not trigger any remuneration.

A share-based remuneration programme was 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 4 June 2020, 3,619 Shares were granted at a price of DKK 201,500 for the first half of 2020, and on 3 December 2020, 4,812 shares were granted at a price of DKK 340,256 for the second half of 2020.

In 2020, the Executive Management received remuneration in a total amount of DKK 8.9 million including the value of share-based remuneration, pension, etc. In Q1 – Q3 2021, the Executive Management received remuneration in a total amount of DKK 7.5 million including the value of share-based remuneration, pension, etc. The remuneration of the Executive Management is adjusted every two years.

On 7 June 2021, the Company announced that it has entered into an agreement effective from 1 July 2016 with the Executive Management and other members of the Group's extended management team under which up to 10% of the fixed salary may be allotted by way of Shares. Shares are awarded twice annually, on the third trading day of June and the third trading day of December.

The value of the awarded Shares has been calculated as a simple average of the average price quoted for one share on the first trading day of each calendar month forming the basis of the award. A total of 34,605 Shares representing a total market value of DKK 2,465,245.03 have been awarded. The Shares allotted according to the share-based remuneration are freely negotiable instruments. The agreement on share-based remuneration applies until 31 March 2022.

Reference is made to Part I, section 20.3 – "Regulatory disclosures" – "Transactions by persons discharging managerial responsibilities and their closely associated persons" for further details on Shares allotted according to the share-based remuneration.

## **15.9 Description of internal controls and financial reporting procedures**

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

### **15.9.1 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 and in-house rules and guidelines.

The Board of Directors and the Executive Management are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The audit and risk committee established by the Group supports the Board of Directors in this work. On an ongoing basis, the Executive Management 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.

### **15.9.2 Board committees**

The Board of Directors has set up two board committees – the audit and risk 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 chairman of the audit and risk committee is deemed independent. The majority of the committee members are thus not independent. Reference is made to this section 15.6 – "Board of Directors and Executive Management" – "Conflicts of interest". 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.

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 Association.

When selecting and nominating the independent candidates, the Company 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.

### **15.9.3 Risk assessment**

The working plan of the Board of Directors ensures that the Board of Directors and the Executive Management 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 and a discussion of Management reporting with a view to preventing/identifying and responding to fraudulent financial reporting

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

#### **15.9.4 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 Executive Management and approved by the Board of Directors.

Risk management is coordinated by a cross-organisational risk committee consisting of the Executive Management and the risk managers of the companies in the Group 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 and life insurance.

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 investment department, which is responsible for calculating the Group's financial assets and liabilities.

The report is prepared by the investor relations department on the basis of information from a number of departments, including the finance department and the individual business areas.

#### **15.9.5 Whistleblower scheme**

In 2014, the Group set up a whistleblower scheme as part of the implementation of new legislation. The Group's employees can use the whistleblower scheme to anonymously report violations or suspected violations of financial legislation committed by employees or board members of the companies in the Group. Responsibility for the whistleblower scheme rests with the compliance department, which received no reports in 2020.

#### **15.9.6 Active ownership**

The Company invests in many different asset classes and therefore has a high degree of diversification. As a result, and considering the size of the Group, the ownership interest in the individual companies is quite/relatively small. The relatively small ownership interests are therefore

not assessed to be sufficient to obtain any actual influence through active ownership. As a general rule, companies which are deemed to breach the Company's policy on responsible investment will therefore be excluded from the investment universe. For the same reason, voting rights are generally not exercised, as such exercise is deemed to be too cost-intensive compared with the possibility of obtaining any actual influence.

#### **15.10 Corporate governance**

The Company is subject to the recommendations prepared by the Committee on Corporate Governance (the "Corporate Governance Recommendations"). Nasdaq Copenhagen has incorporated the Corporate Governance Recommendations in the Nasdaq Issuer Rules. Accordingly, as a company with shares admitted to trading and official listing on Nasdaq Copenhagen, the Company is required to comply with or explain deviations from the Corporate Governance Recommendations as also required to do so pursuant to section 107b of the Danish Consolidated Act no. 838 of 8 August 2019 the Financial Statements Act.

The Company is committed to exercising good corporate governance at all times. On an annual basis, the Board of Directors considers all recommendations applying the "comply or explain" principle.

For the financial year ended 31 December 2020, 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. References is made to this section 15.6 – "Board of Directors and Executive Management" – "Conflicts of interest".
- The majority of the members of the board committees cannot be deemed to be independent. References is made to this section 15.6 – "Board of Directors and Executive Management" – "Conflicts of interest".
- The Board of Directors has not set up a nomination committee. References is made to this section 15.7 – "Board of Directors and Executive Management" – "Board evaluation"
- 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. For further information on the remuneration of the Management, reference is made to the remuneration policy for 2021 as published on the Company's website, [www.almbrand.dk](http://www.almbrand.dk) (the information on the Company's website does not form part of this Prospectus and is not incorporated by reference into this Prospectus, unless specifically stated in Part I, section 19.1 – "Additional information" – "Financial statements") and to the 2020 Consolidated Financial Statements incorporated by reference in Part I, section 19.1 – "Additional information" – "Financial statements".

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 Company's corporate governance practices are also accounted for in the statutory statement on corporate governance, which is available on the Company's website, [www.almbrand.dk](http://www.almbrand.dk). The information on the Company's website does not form part of this Prospectus, is not incorporated by reference into this Prospectus, unless specifically stated in Part I, section 19.1 – "Additional information" – "Financial statements".

On 2 December 2020, an updated version of the Corporate Governance Recommendations was published. These recommendations have entered into force for the financial years starting 1 January 2021 or later. Thus, the new 2020 recommendations will apply for the first time at the Company's annual general meeting in the spring 2022, which will consider the annual report for the financial year ending 2021. Accordingly, in connection with the presentation of the annual report for 2021, the Company must account for compliance with the updated recommendations. The Company expects to comply with the new 2020 corporate governance recommendations in all material respects.

## **16. MAJOR SHAREHOLDERS**

### **16.1 Overview of major shareholders**

Pursuant to Section 38 of the Danish Capital Markets Act and Section 55 of the Danish Companies Act, the only major shareholder of the Company as at the Prospectus Date is the Association with an ownership interest of approximately 44.6% of the Company's share capital corresponding to 68,716,284 Shares and voting rights in the Company.

The Company has as at the Prospectus Date not received any further notifications of holdings of 5% or more of the Company's share capital or voting rights.

### **16.2 The Association**

#### **16.2.1 General**

Alm. Brand of 1792 functioned as a non-life insurance company up until 2002, when all non-life insurance activities were sold to the subsidiary Alm. Brand Forsikring A/S. Alm. Brand of 1792 was simultaneously transformed from a mutual insurance company (G/S) to the association Alm. Brand of 1792 fmba (the "Association"). The Association's history is closely tied to the history of the Company and dates back to 1792. The Association aims to support the Group's position as a large financial group in the Danish market. The Association, like other shareholders, focuses on the Company being operated on a profitable basis, where the activities are continuously optimized so that the Group provides a satisfactory return.

#### **16.2.2 Regulatory oversight**

The Association is an "association with limited liability" under Danish law in the form of a "fmba". As such, the Association does not have shareholders but instead members with certain rights as stated in the Association's articles of association.

The Danish Consolidated Act no. 249 of 1 February 2021 on Certain Commercial Undertakings apply to, inter alia, former financial undertakings for which the supervised activity has been separated out in connection with a transformation of the financial undertaking in accordance with the applicable financial regulation. The Association is such former financial undertaking and, accordingly, the abovementioned act applies to the Association.

The Danish Business Authority supervises such converted former financial undertakings' compliance with the said act. As a part hereof, inter alia, changes to the articles of association for such converted former financial undertakings requires the prior approval by the Danish Business Authority. In approving amendments to the articles of association, the Danish Business Authority must ensure that the amendments do not contravene the rights of the participants.

#### **16.2.3 Purpose of the Association**

The purpose of the Association as formally stated in its articles of association is to maintain and continue the Company's business as a financial company through the ownership of shares in



the Company and thereby – directly or indirectly – own shares in one or more companies engaged in financial activities, including insurance business and banking business and other business, which at the board of directors' discretion is related thereto. The aim is to secure the members' long-term interests by continuing the Company as an active, competitive financial company on the Danish market.

At a meeting of the Committee of Representatives held 16 April 2021, the Committee of Representatives adopted a change to the previous provision in the articles of association of the Association whereby the purpose of the Association has been to maintain and continue the Company's business as a financial company through the ownership of the majority of shares in the Company and thereby – directly or indirectly – own shares in one or more companies engaged in financial activities, including insurance business and banking business and other business, which at the board of directors' discretion is related thereto. The requirement that the Association should hold the majority of shares in the Company was abandoned to allow the Company freedom to act with agility should any opportunity arise for consolidation in the industry such as the Acquisition. Following the Offering the Association ownership stake may have been reduced to less than 50% of the Company's share capital and voting rights, but if so, it is the intention of the Association that the majority stake shall be regained over time.

#### **16.2.4 Membership**

The Association currently has approximately 400,000 members. These are all non-life insurance customers of the Company. After closing of the Acquisition, the Company will have acquired Codan Denmark, which will then become part of the Enlarged Group. Based on the articles of association of the Association, members of the Association consist of all current insurance holders in companies within the Group holding non-life insurance policies. This means that non-life policy holders in Codan Denmark will as of that time become members of the Association as well.

#### **16.2.5 Shareholding in the Company**

At the Prospectus Date, the Association is the largest shareholder in the Company holding approximately 44.6% of the Company's share capital corresponding to 68,716,284 Shares and voting rights in the Company. The Association is the only shareholder with a shareholding of more than 5% in the Company.

In order for the Association to further participate in the Offering on a cash neutral basis, on 16 August 2021, the Association sold 21,000,000 Shares in the Company, equivalent to 13.6 % of the Existing Shares in the Company to institutional investors via an accelerated bookbuild offering. Equally, the Association reduced its holding from approximately 58.2% to approximately 44.6% of the Existing Shares.

Following the Offering the Association expects to hold 687,162,840 of the Shares in the Company. It is the intention of the Association to gradually increase its ownership to above 50% over time while maintaining a solid solvency ratio.

### **16.2.6 Distributions**

In recent years, the Association has accumulated independent assets next to the shareholding in the Company with the purpose of utilising these to help and support the development of the Company including by applying part of its future earnings directly in favour of the Association members. This may be done by supporting injury prevention measures and -services or by direct distributions to policyholders.

In accordance with the articles of association, any such distributions may only take place following recommendation by the board of directors to the ordinary meeting of the Committee of Representatives and after approval by at least two-thirds of the votes cast at that meeting. The distributions may not exceed the Association's profit after tax in accordance with the annual report approved at the same ordinary meeting of the Committee of Representatives. As an exception to this rule the board of directors may within a financial year perform distributions for purposes, which after the assessment of the board of directors – directly or indirectly – promote the Group's image or interests. Such distributions may as a maximum amount to half of the Association's investment return on the assets in the preceding financial year, excluding income for affiliated companies. At the ordinary meeting of the Committee of Representatives where the annual report of the financial year in question is being processed, the board of directors must inform of any such distributions performed.

In case of dissolution of the Association – unless if due to merger or other consolidation with an association or company with a similar purpose – the assets of the Association must be distributed to the members of the Association at that particular time and as stipulated in the articles of association.

### **16.2.7 Other Assets**

According to the annual report 2020 of the Association, which was approved by the Committee of Representatives on 19 March 2021, the total assets of the Association in 2020 amounted to DKK 5,541 million against DKK 5,151 in 2019. In 2020 DKK 3,394 million of the assets was related to investments in Group-companies, and DKK 2,101 million was related to investments in other financial instruments such as shares and bonds. The Association's result in 2020 was (net of tax) DKK 385 million against DKK 286 million in 2019. The positive earnings trend followed the positive earnings trend for the Company for 2020.

As of 30 September 2021, the total assets of the Association amounted to DKK 6,189 million of which DKK 1,462 million of the assets was related to investments in Group-companies. There was DKK 4,634 million related to investments in other financial instruments such as shares and bonds. The Association's result as of 30 September 2021 was (net of tax) DKK 354 million. As described in Part I, section 18.3 – "Dividends and dividend policy" – "Recent dividends", the Company paid a dividend of DKK 7.00 per Existing Share following the annual general meeting held on 26 April 2021 and an extraordinary dividend of DKK 8.00 per Existing Share on 8 January 2021 with ex-dividend date on 6 January 2021. The dividend payments have resulted in a considerable increase in the Association's cash and cash equivalents since the financial year 2020.

## **Governance structure**

The Association's governance structure consists of the Committee of Representatives, the board of directors and executive management.

### **16.2.7.1 Committee of Representatives**

The Committee of Representatives ("Committee of Representatives") is the supreme decision-making authority of the Association. The function of the Committee of Representatives is similar to that of the general meeting in a limited liability company. The Committee of Representatives is elected by and among the non-life insurance customers.

The Committee of Representatives is the top management of the Association. The individual representative's task is to actively work for the development of the Association by participating in the management of the Association and by being an ambassador for the Company.

The Association is divided into five regions (which do not coincide with the public regions). Each region appoints 18 members to the Committee of Representatives, and Bornholm also appoints 3 representatives. In total, there is room for 93 representatives in the Association.

In the election rules, emphasis is placed on the composition of the Committee of Representatives reflecting the geographical distribution of the Company's non-life insurance customers. The election rules are stated in the Articles of Association of the Association, which may be found on the webpage of the Association.

Within each of the geographical areas, the three insurance groups – private, agricultural and business – receive equal representation, except in the Copenhagen Region (excluding Bornholm), where the agricultural and business groups are merged. The constituencies are defined by the Company's five regions plus Bornholm.

Elections to the Committee of Representatives are held every four years. The elections are announced in the newspapers Berlingske, Dagbladet Børsen and Morgenavisen Jyllands-Posten as well as on the Group's website. All non-life insurance policyholders who have been customers throughout the election year, may vote. All insurance customers in the Company have the opportunity to run for election – unless the person in question works for a competing financial company or is employed by the Group or has been employed by the Group within the last five years.

The members of the Committee of Representatives exercise their power at meetings of the Committee of Representatives. The ordinary meeting of the Committee of Representatives is held at least once a year before the end of April. At this meeting, the Committee of Representatives decides if an additional meeting shall be convened prior to next year's ordinary meeting. In addition, extraordinary meetings may be convened if requested by one tenth of the committee members or if deemed necessary by the auditor of the Association.

To form a quorum at least half of the members of the Committee of Representatives must be present. Voting by proxy is not a possibility. Resolutions by the Committee of Representatives

requires a simple majority of votes. However, resolutions regarding amendment of the Association's articles of association require a majority of at least two-thirds of the committee members participating in the vote. Significant changes to the articles of association's provision on the purpose of the Association requires a majority of at least three-quarters of the committee members participating in the vote. Any decision to dissolve the Association requires approval by three quarters of the votes cast at the meeting and further requires that a new extra-ordinary meeting is called with the normal notice for such. At this meeting, the decision must be confirmed by a majority of three-quarters of the votes cast. The board of directors is obliged to ensure that such meeting is held two months after the first meeting at the latest.

The Committee of Representatives is chaired by Jørgen Hesselbjerg Mikkelsen, who is also the chairman of the Board of Directors of the Company.

#### **16.2.7.2 Board of directors and executive management**

Members of the board of directors are elected by the Committee of Representatives. Each of the five regions elects amongst the representatives of that specific region one board member and one alternate for a two-year term. In addition, the employees of the Group elects three Group representatives and three alternates for the board of directors. The board of directors chooses its own chairman and deputy chairman.

The board of directors is responsible for the overall management of the Association. As at the Prospectus Date all five members elected by the Committee of Representatives as well as the three employee elected member are also members of the Board of Directors of the Company.

The Association's board of directors also appoints the executive management of the Association. Currently the executive management consists of CEO Rasmus Werner Nielsen, who also serves as CEO of the Company.

#### **16.2.8 Interaction with the Company**

Given the ownership structure and the governance structure with largely identical management (except for the independent members of the Board of Directors of the Company) as well as the historic tight links between the Association and the Company, the Company and the Association interact on many different and frequent levels. Please refer to section 17.1 – "Related party transactions" – "Details of related party transactions on the Group" for further details on related party transactions.

#### **16.3 Voting rights of major shareholders**

As the Company has one share class and all shares carry the same voting rights, no special voting rights exist in terms of the Company's major shareholder.

#### **16.4 Knowledge about controlling entities**

The Company is controlled by the Association with its ownership interest of approximately 44.6% of the Company's share capital and voting rights.

No specific measures are in place to ensure that the above control is not abused.

#### **16.5 Change of control arrangements**

The Company is not aware of any agreements that could later result in others taking over the control of the Company.

## 17. RELATED PARTY TRANSACTIONS

### 17.1 Details of related party transactions of the Group

The following is considered as related parties to the Group according to IFRS:

- Members of the Board of Directors, Executive Management and other key employees and their related family members.
- Companies controlled by members of the Board of Directors or the Executive Management.
- Other companies in the Group.
- The Association (the parent company).

All agreements and transactions are made on an arm's length basis or, where there is no specific market, on a cost recovery basis.

Except as set out below and except in relation to ordinary remuneration, compensation and benefits received as a result of membership of the Board of Directors or the Executive Management, the Group has not during the periods covered by the historical financial information included in this Prospectus and up until the Prospectus Date undertaken any significant transactions with the Board of Directors or the Executive Management, or with undertakings outside the Group that are related parties to the Group.

With regards to the remuneration paid to the members of the Board of Directors, the Executive Management and other key employees, reference is made to the notes in the 2020 Consolidated Financial Statements, 2019 Consolidated Financial Statements and 2018 Consolidated Financial Statements as included by reference in this Prospectus (not included in table no. (81), and to the table below in respect to the period Q1 – Q3 2021. Other transactions with the Board of Directors, the Executive Management or other key employees are disclosed in table nr. (82).

**Table no. 81 – Remuneration to the members of the Board of Directors, the Executive Management and other key employees**

(DKKm)	Q1 – Q3 2021		
	Board of Directors	Executive Management	Other key employees
Director fees	4,329		
Salaries and wages		5,753	17,094
Pension		1,226	3,191
Share-based payments		555	1,695
<b>Total remuneration</b>	<b>4,329</b>	<b>7,533</b>	<b>21,981</b>

**Table no. 82 – Related party transactions**

<b>(DKKkm)</b>				<b>Q1 – Q3 2021</b>
	<b>The Association</b>	<b>Key employees</b>	<b>Management</b>	<b>Companies controlled by members of the Board of Directors</b>
Sale of services	0	1	4	0
Purchase of services	0	0	0	0
Interest and fee income	0	0	0	0
Interest and fee expenses	4	0	1	0
Receivables	0	0	0	0
Debt	6	3	39	0
Collateral	0	0	0	0
<b>2020</b>				
	<b>The Association</b>	<b>Key employees</b>	<b>Management</b>	<b>Companies controlled by members of the Board of Directors</b>
Sale of services	3,537	1	5	0
Purchase of services	3,145	0	2	2
Interest and fee income	0	0	0	0
Interest and fee expenses	16	0	1	0
Receivables	0	0	0	0
Debt	401	1	36	0
Collateral	0	0	0	0
<b>2019</b>				
	<b>The Association</b>	<b>Key employees</b>	<b>Management</b>	<b>Companies controlled by members of the Board of Directors</b>
Sale of services	1,837	1	5	0
Purchase of services	1,300	0	0	1
Interest and fee income	0	0	0	0
Interest and fee expenses	18	0	1	0
Receivables	0	2	2	1
Debt	613	7	37	0
Collateral	0	2	2	0
Interest rates on loans		1.5-4.5%	1.5-4.5%	1.5-2.5%

	The Association	Key employees	Management	Companies controlled by members of the Board of Directors
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%

Services comprise insurance services and the provision of bank products in the form of loans, guarantees, credits and buying/selling of mortgage deeds etc. The buying and selling of services are made on an arm's length basis. 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 2020 or the previous financial year.

#### 17.1.1 Transactions with the Association

During the financial year ended 31 December 2020, and up until the Prospectus Date, transactions with the Association include distribution of dividends by the Company to the Association of DKK 1,337,616,510 related to the dividend payments in 2020.

Further, as part of the ordinary course of business, in 2019, the Company and the Association entered into an agreement on arm's-length terms, according to which the Association contributed subordinated loan capital of DKK 250 million to the Company. In March 2021, the Company requested the Danish FSA for early redemption of the subordinated loan capital to the Association. In addition, early redemption was requested in relation to the Association's contribution of subordinated loan capital of DKK 150 million to Alm. Brand Forsikring A/S and Alm. Brand Forsikring A/S' contribution of a subordinated loan of DKK 150 million to Alm. Brand Liv og Pension. On 9 June 2021, the Danish FSA accepted the request, and thus no inter-group loan exists between the Company and the Association at the Prospectus Date.

#### 17.1.2 Group administration agreement between the Association and Alm. Brand Forsikring A/S

The Association has entered into an administration agreement with Alm. Brand Forsikring A/S in relation to primarily office expenses, risk management, compliance, HR, legal and canteen



matters. The administration agreement is entered into on customary market conditions in accordance with the Danish FSA's order on intra-group transactions. In 2020, the fees for administration services to Alm. Brand Forsikring A/S amounted to DKK 1.250 million.

#### **17.1.3 Option agreement between Alm. Brand Forsikring A/S and Alm. Brand PIA A/S**

Alm. Brand Forsikring A/S has an option agreement with Alm. Brand PIA A/S to sell back mortgage deeds to the Company if a debtor defaults on its payment obligations. Hence, Alm. Brand PIA A/S 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 PIA A/S took over the obligation on 24 November 2020 after the sale of Alm. Brand Bank A/S (now Syd ABB A/S).

### **17.2 Details of related party transactions of the legal entities of Codan Denmark**

Until 31 May 2021, Codan Denmark's related parties included its at the time ultimate parent company, RSA, as well as members of the board of directors and the executive management of Codan A/S and such members' family (and the companies in which such persons have significant interests).

On 1 June 2021, RSA was acquired by a consortium of Intact and Tryg. Codan Denmark's related parties as from the day of the acquisition include its ultimate two owners Intact (and hereby the former RSA companies), Tryg and the branch offices Trygg-Hansa and Codan NUF and the subsidiary Holmia Liv AB as well as members of the board of directors and the executive management of Codan A/S and such members' family (and the companies in which such persons have significant interests).

Except as set out below, Codan Denmark has not during the periods covered by the historical financial information included in this Prospectus undertaken any significant transactions with such related parties or other related parties.

#### **17.2.1 Dividends to Codan**

On 1 June 2021, a dividend of DKK 500.5 million were distributed to Codan. During the financial years ended 31 December 2020, 2019 and 2018, net dividends/transfers to/from RSA amounts to DKK -500 million in 2020, DKK 142 million in 2019 and DKK -400 million in 2018.

#### **17.2.2 Loan agreement between Codan Forsikring and Codan A/S**

Through Codan Forsikring, Codan Denmark had granted a loan to Codan A/S in the amount of DKK 500 million that was fully settled on 1 June 2021 (as at 31 December 2020, 2019 and 2018, the loan amounted to DKK 500 million, DKK 1,000 million and DKK 1,000 million, respectively). The interest income amounted to DKK 1.6 million in 2021, DKK 6.9 million in 2020, DKK 3.1 million in 2019 and DKK 3.4 million in 2018.

### **17.2.3 IT systems and joint services**

Codan Denmark has through its legal entities paid for the use of joint IT-systems and joint services within the former companies of the RSA Group. Payments were made on a cost-covering basis.

### **17.2.4 Reinsurance agreements between Codan Denmark and former companies of the RSA Group**

Codan Denmark has through its legal entities entered into reinsurance agreements with former companies of the RSA Group on an arm's length basis, including, but not limited to, a quota sharing programme on the Marine Hull portfolio.

### **17.2.5 Receivable from related parties**

As of 30 September 2021, receivables from related parties were DKK 3,636 million (as of 31 December 2020, 2019 and 2018, receivables from related parties were DKK 2,229 million, DKK 2,325 million and DKK 1,979 million, respectively) which primarily related to transactions entered into with former companies of the RSA Group in the ordinary course of business and as per 30 September for the branch offices Trygg-Hansa and Codan NUF. Outstanding balances are unsecured, interest free and repayable on demand except for branch office capitalisation of DKK 3,772 million as of 30 September 2021 which is interest rate bearing and non-callable.

### **17.2.6 Other payables to related parties**

As of 30 September 2021, other payables to related parties were DKK 634 million (as of 31 December 2020, 2019 and 2018, other payables to related parties were DKK 560 million, DKK 1,475 million and DKK 1,352 million, respectively) related to branch capitalisations and other transactions entered into with former companies of the RSA Group as described above. Outstanding balances are unsecured, interest free and repayable on demand except for branch office capitalisation of DKK 520 million as of 30 September 2021 which is interest rate bearing and non-callable.

Apart from regular management remuneration, no transactions, except for those listed below, were entered into during period ending 30 September 2021 and the financial years ended 31 December 2020, 2019 and 2018 with the board of directors and the executive management of Codan, executives, major shareholders or other related parties. The total remuneration of the board of directors, the executive management and "material risk takers" of Codan Forsikring A/S is presented in the table below.

**Table no. 83 – Related party transactions**

	<b>30 September 2021</b>	<b>Year Ended 31 December</b>		
<b><u>(DKKm)</u></b>		<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Remuneration of the board of directors of Codan Forsikring A/S</b>	<b>1.5</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>
<b>Remuneration of the executive management of Codan Forsikring A/S</b>				
Wages and salaries	6.5	7.9	7.4	7.8
Bonuses	0.7	2.7	0.7	0.6
Pension Benefits	0.3	0.2	1.2	1.7
Long term incentive plan	-	-	1.7	1.4
Redundancy Benefits	7.1	-	6.5	-
<b>Remuneration of the board of management of Codan</b>	<b>14.6</b>	<b>10.8</b>	<b>17.6</b>	<b>11.5</b>
Number of employees in the board of management of Codan	2	2	2	2
<b>Remuneration of the risk takers</b>				
Wages and salaries	55.2	71.3	81.9	75.7
Pension benefits	7.9	9.8	11.9	11.2
<b>Remuneration of risk takers</b>	<b>63.1</b>	<b>81.1</b>	<b>93.8</b>	<b>86.9</b>
Number of risk takers	48	60	55	46

## **18. DIVIDENDS AND DIVIDEND POLICY**

### **18.1 General**

All Shares, including the New Shares, have the same rights and the New Shares will rank *pari passu* with all other Shares, including in respect of eligibility to receive dividends and participate in share buybacks.

### **18.2 Dividend policy**

The Company has defined a target for ordinary dividend distribution corresponding to a pay-out ratio of at least 70% of the profit for the relevant financial year after tax. The earnings contribution from Codan Denmark and the expected synergies related to the Acquisition are expected to result in a tripling of the Company's profit before tax by 2025 based on the Company's original guidance for the full year 2021 from February 2021 of DKK 600-650 million (excluding Alm. Brand Liv og Pension, DKK 500-550 million), which Management expects may lead to an increase potential for dividends in 2025 and onwards. For the Company's current guidance for the full year 2021, see Part I, section 14.4 – "Profit forecasts or estimates" – "Prospective financial information for the financial year ending 2021".

However, such distribution will be subject to the Board of Directors' assessment of any increased capital requirement over the following years, either due to planned activities, special risks or a shortfall in earnings. Further, any future decision of the Board of Directors to propose or pay out dividends and the amounts and timing thereof, will depend on a number of other factors, including future revenue, profits, financial conditions, general economic and business conditions, and future prospects and such other factors as the Management may deem relevant, as well as other legal and regulatory requirements.

There can be no assurances that the Group's performance will facilitate adherence to the dividend policy, and, in particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Prospectus were to occur. See "Risk Factors" for further information of such risks. Further, there can be no assurances that in any given year a dividend will be proposed or declared.

The ordinary dividend is paid on an annual basis.

As an alternative to, or in addition to, making dividend payments, the Board of Directors may initiate share buyback programmes. The decision by the Board of Directors to engage in share buybacks, if any, will be made in accordance with the factors applicable to dividend payments set forth above.

### **18.3 Recent dividends**

For the financial year 2020, the Company paid a dividend of DKK 7.00 per Existing Share following the annual general meeting held on 26 April 2021. The dividend payment of DKK 7.00 per Existing Share was a combination of an ordinary dividend DKK 4.00 per Existing Share for the financial year 2020 and an ordinary dividend of DKK 3.00 per Existing Share for the financial year 2019.

Further, the Board of Directors decided on 4 January 2021 to distribute the freed-up capital of DKK 1.2 billion following the sale of Alm. Brand Bank A/S (now Syd ABB A/S) equalling DKK 8.00 per Existing Share. The distribution of the freed-up capital from the sale of the banking activities was separate from the Group's operations. The payment of the extraordinary dividend took place on 8 January 2021 with ex-dividend date on 6 January 2021.

Since 2015, the Company has used share buyback programmes as part of its total distribution, which the Association as principal shareholder has participated proportionately in order to maintaining its shareholding. On 12 March 2020, the Company completed a share buyback programme of DKK 200 million. No new share buyback programme has been initiated prior to the Prospectus Date.

## **18.4 Legal and regulatory requirements**

### **18.4.1 Dividends**

In accordance with the Danish Companies Act, ordinary dividends concerning one financial year, if any, are declared at the Company's annual general meeting in the following financial year in connection with the general meeting's approval of the Company's statutory annual report, including the audited financial statements for the preceding financial year.

Further, the general meeting may resolve to distribute extraordinary dividends or authorise the Board of Directors to decide on the distribution of extraordinary dividends. As at the Prospectus Date, the Board of Directors has been authorised by the general meeting to distribute extraordinary dividends. The authorisation is included in the Articles of Association.

Any resolution to distribute extraordinary dividends must always be accompanied by a balance sheet. The Board of Directors assesses whether the balance sheet of the latest annual report is adequate, or whether an interim balance sheet showing that sufficient funds are available for distribution must be prepared. Any resolution to distribute extraordinary dividends passed more than six months after the balance sheet date as set out in the Company's latest approved annual report must always be supported by an interim balance sheet showing that sufficient funds are available for distribution, and the balance sheet must be reviewed by the Company's auditor.

Any resolution by the general meeting for the distribution of ordinary or extraordinary dividends may not exceed the amount recommended or approved by the Board of Directors. Moreover, dividends, including extraordinary dividends, may only be made out of distributable reserves, may not exceed an amount that is considered sound and adequate with regard to the financial condition of the Company and the Group and may not be to the detriment of the Company or its creditors and must otherwise satisfy such other factors, as the Board of Directors may deem relevant from time to time.

Dividends paid to the Shareholders may be subject to withholding tax. See Part II, section 24.5 – "Information concerning the New Shares" – "Tax warnings" for a description of Danish withholding taxes in respect of dividends declared on the Shares and certain other tax considerations relevant to the purchase or holding of Shares.

#### **18.4.2 Share buyback**

In accordance with the Danish Companies Act, share buybacks, if any, may only be carried out by the Board of Directors using funds that could have been distributed as dividends at the latest annual general meeting. The Board of Directors must carry out any share buyback in accordance with the authorisation granted by the general meeting. The authorisation must be granted for a specific period not to exceed five years, and the authorisation must also specify the maximum permitted value of treasury shares, as well as the minimum and maximum amount that the Company may pay as consideration for such shares.

The decision by the Board of Directors to engage in a share buyback, if any, will be made in accordance with the factors applicable to dividend payments described above.

As at the Prospectus Date, the Board of Directors is authorised, for the period until 30 April 2022, to allow the Company to acquire own shares against consideration for ownership or as collateral, provided that the total nominal value of shares in the Company held by the Company and its subsidiaries does not exceed, and as a consequence of the acquisition will not exceed, 10% of the share capital. The consideration for such shares may not deviate by more than 10% from the official price quoted on Nasdaq Copenhagen at the time of acquisition.

As at the Prospectus Date, the Company holds 303,064 treasury Shares, corresponding to a total of 0.2% of the share capital and the voting rights in the Company before the Offering.

Any Share buybacks will be deemed a sale of shares for tax purposes and, as a general rule, are not subject to Danish withholding tax provided that Company is admitted to trading on a regulated market. For a description of Danish withholding taxes and certain other Danish considerations relevant to the purchase of Shares, see Part II, section 24.5 – "Information concerning the New Shares" – "Tax warnings".

#### **18.5 Other requirements**

Dividends, if any, will be paid in accordance with the rules of VP Securities and will be paid to the Shareholders' accounts with their account holding banks in DKK to those recorded as beneficiaries.

Dividends not claimed by Shareholders are forfeited in favour of the Company, normally after three years, under the general rules of Danish law or statute of limitations.

On 2 April 2020, European Insurance and Occupational Pensions Authority (EIOPA) announced a recommendation that insurers and reinsurers in the EU temporarily suspend all discretionary dividend distributions and share buybacks aimed at remunerating shareholders and on 3 April 2020 the Danish FSA announced that it supported that recommendation. This was followed up on 27 May 2020 by a recommendation by the European Systemic Risk Board (ESRB) that EU financial institutions (including insurers and reinsurers) refrain from, inter alia, making dividend distributions or share buybacks until at least 1 January 2021. On 26 June 2020, the Danish FSA endorsed that recommendation.

The Company adhered to the abovementioned recommendation to refrain from making any dividend distribution during the financial year 2020. Accordingly, investors experienced a total appreciation equivalent to the share price increase in 2020. After the end of the financial year, the Company paid an extraordinary dividend of DKK 8.00 per share on 8 January 2021 as described in "Recent dividends" above. By comparison, the OMX Copenhagen Large Cap index produced a return of 30.6% in that period.

## 19. ADDITIONAL INFORMATION

### 19.1 Financial statements

The information explicitly listed in the table below has been incorporated by reference into this Prospectus pursuant to Article 19 of the Prospectus Regulation. Non-incorporated parts of the documents incorporated by reference are either not deemed relevant for Existing Shareholders and other investors or are covered elsewhere in this Prospectus. Direct and indirect references in the documents included in the table below to other documents or websites are not incorporated by reference and do not form part of this Prospectus. The documents speak only for the period in which they are in effect and have not been updated for purposes of this Prospectus. Existing Shareholders and potential investors should assume that the information in this Prospectus as well as the information incorporated by reference herein is accurate only in the period in which they are in effect.

The information incorporated by reference into this Prospectus is exclusively set out in the cross- reference table below and is available on the Company's website [www.almbrand.dk](http://www.almbrand.dk).

**Table no. 84 – Information incorporated by reference**

	<b>Pages</b>
<b>Document/information</b>	
<b>2020 Consolidated Financial Statements (audited)</b>	
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<b>Q1 – Q3 2021 Condensed Interim Financial Statements (unaudited but reviewed)</b>	
Management Statement	15
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## **19.2 Share capital**

As at the Prospectus Date, the Company has a registered nominal share capital DKK 154,114,000 divided into 154,114,000 Existing Shares with a nominal value of DKK 1. All Existing Shares are issued and fully paid up, and each Existing Share represents one vote.

On 28 August 2020, the Company's ordinary general meeting resolved to reduce the share capital with DKK 35,460,000 from DKK 1,576,600,000 to DKK 1,541,140,000 with the purpose of annulment of treasury Shares.

On 2 September 2021, the Company's extraordinary general meeting resolved to reduce the share capital by a nominal amount of DKK 1,387,026,000 from DKK 1,541,140,000 to DKK 154,114,000 by transfer to a special reserve with a view to ensuring full flexibility in relation to the technical determination of the Subscription Price.

Upon completion of the Offering, the share capital increase of DKK 1,387,026,000 will be registered with the Danish Business Authority, and the Company's registered share capital will consequently be DKK 1,541,140,000 divided into 1,541,140,000 Shares each with a nominal value of DKK 1.

The Company has not issued any convertible securities, exchangeable securities or securities with warrants.

Further, there exist no terms of any acquisition rights and/or obligation authorised by unissued share capital or an undertaking to increase the shares capital of the Company.

## **19.3 Treasury shares**

As at the Prospectus Date, the Company holds 303,064 treasury Shares, corresponding to a total of 0.2% of the share capital and the voting rights in the Company before the Offering. In connection with the Offering, Pre-emptive Rights will be allocated to the Company in respect of its treasury shares. Pursuant to the Danish Companies Act, the Company is not allowed to exercise such Pre-emptive Rights, for which reason the Company expects to sell the Pre-emptive Rights allocated to it in respect of its treasury Shares.

## **20. REGULATORY DISCLOSURES**

The announcements that the Company during the past 12 months has made in accordance with the Market Abuse Regulation and which are relevant as of the Prospectus Date are set forth below.

### **20.1 Announcements relating to the Acquisition**

- 11 June: The Company has entered into a binding agreement with the Sellers, through their jointly-owned subsidiary Scandi JV Co 2, whereby the Company will acquire Codan DK.

### **20.2 Announcements relating to the Offering**

- 31 October 2021: The Company completes capital reduction by changing share denomination.
- 2 September 2021: At an extraordinary general meeting in the Company, the shareholders of the Company adopted proposals to reduce the Company's share capital by transfer to a special reserve, including the proposal to change the denomination of the company's shares from DKK 10 to DKK 1, and to authorise the Board of Directors to increase the Company's share capital by up to a nominal amount of DKK 3,100,000,000 with pre-emptive rights. Finally, the shareholders adopted a proposal to amend the Company's articles of association to the effect that, subject to resolution by the Board of Directors, the Company's general meetings may be held as completely electronic general meetings.
- 26 August 2021: The Association announced the sale of 21,000,000 Existing Shares, equivalent to 13.6% of the Existing Shares, to institutional investors at a price of DKK 43.50 per share, pursuant to the accelerated bookbuild offering reducing the Association's interest in the Company to approximately 44.6% of the Existing Shares.
- 25 August 2021: The Association announced the launch of the of an accelerated bookbuild offering to institutional investors of approximately DKK 900 million worth of Existing Shares.

### **20.3 Transactions by persons discharging managerial responsibilities and their closely associated persons**

- 5 November 2021: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 27 August 2021: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 26 August 2021: The Association has sold 21,000,000 Existing Shares at a price of DKK 43.5.
- 19 August 2021: Board member, Pia Laub, has bought 8,979 Shares for a total amount of DKK 400,814.75.

- 22 June 2021: The Association has bought 35,000 Shares for a total amount of DKK 1,670,100.
- 21 June 2021: The Association has bought 256,000 Shares for a total amount of DKK 12,744,830.50.
- 18 June 2021: The Association has bought 241,850 Shares for a total amount of DKK 11,671,221.48.
- 7 June 2021: The Company has entered into an agreement, effective from 1 July 2016, with the Management and other members of the Group's extended management team under which up to 10% of the fixed salary may be allotted of shares.
- 7 June 2021: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 19 May 2021: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 18 February 2021: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 4 December 2020: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 10 November 2020: Group CEO, Rasmus Werner Nielsen, had been granted Shares in the Company as part of the share-based remuneration.
- 4 November 2020: Board member, Pia Laub, has bought 3,473 Shares for a total amount of DKK 249,708.70.

#### **20.4 Announcements related to financial information**

- 11 June 2021: Updated profit guidance for 2021.

#### **20.5 Other announcements**

- 1 October 2021: Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S.
- 23 September 2021: Alm. Brand Forsikring A/S assigned an "A+" rating and the Company assigned an "A" rating by Fitch Ratings.
- 17 June 2021: The Company investigating strategic alternatives for Alm. Brand Liv og Pension.

- 4 January 2021: Payment of dividend following the sale of Alm. Brand Bank A/S (now Syd ABB A/S) to Sydbank A/S.
- 30 October 2020: Approval of the sale of Alm. Brand Bank A/S (now Syd ABB A/S) by the Danish Financial Supervisory Authority and the Danish Competition and Consumer Authority.
- 1 October 2020: Agreement to sell Alm. Brand Bank A/S (now Syd ABB A/S) and strategic partnership with Sydbank A/S.

## **21. MATERIAL CONTRACTS**

Other than as disclosed below, there are no contracts (other than those entered into in the ordinary course of business) to which either the Company or a company in the Group (i) are, or may be, material to the Group and which have been entered into in the two years immediately preceding the Prospectus Date; or (ii) which contain any obligations or entitlements which are, or may be, material to the Group or as of the Prospectus Date.

### **21.1 Summary of material contracts relating to the Acquisition**

#### **21.1.1 Share Purchase Agreement**

On 11 June 2021, the Company announced that it had entered into the Share Purchase Agreement with the Seller, Intact and Tryg subject to and in accordance with the terms and conditions of which, the Company has agreed to buy, and the Seller has agreed to sell the shares in Chopin NewCo A/S (now: Chopin Forsikring) at completion of the Acquisition.

Completion of the Acquisition is subject to the following conditions being satisfied (or waived):

- i) completion of the Demerger and registration thereof with the Danish Business Authority and the approval of the Demerger by the Danish FSA;
- ii) Chopin Forsikring having obtained a license for the purpose of rendering insurance services;
- iii) completion of the Reorganisation;
- iv) completion of the fundraising, being the receipt by the Company (or its agent) of net proceeds of at least DKK 11,750,000,000 less any amount deposited in cash or cash equivalents on an escrow account (or such lower amount as may be agreed by the Seller in writing) pursuant to a pre-emptive offering of new shares to its Shareholders (as is the purpose of the Offering) pursuant to the Stand-by Underwriting Agreement, the Underwriting Agreement and subscription undertakings from the Association and potentially certain other investors as described in Part II, section 25.15 – "Terms and conditions of the Offering" – "Plan of distribution and allotment and process for notifying applicants";
- v) approval from the Danish FSA in accordance with section 61 of the Danish Financial Business Act of the Company as well as any holder of direct or indirect qualifying interest in the Company as acquirer of Chopin Forsikring and Privatsikring (the business of which is referred to in this Prospectus as Codan Denmark) after the completion of the Demerger; and
- vi) competition approval from the Danish Competition and Consumer Authority required to consummate the transactions contemplated by the Share Purchase Agreement.

In terms of i) above, a Demerger Agreement and a Demerger Plan have been entered into between Codan A/S, Codan Forsikring, Tryg Forsikring A/S and Chopin NewCo A/S (now:

Chopin Forsikring) further detailing the agreements of the parties thereto in respect of the Demerger as further described in an appendix to the Share Purchase Agreement and below. The Demerger is expected to be completed during H1 2022. The Seller has given certain undertakings and warranties in the Share Purchase Agreement in terms of completion of the Demerger. The Company will be entitled to review and be consulted on an on-going development, drafting and negotiation between Tryg and Intact in respect of the Demerger Plan, the Demerger Agreement and the Demerger Balance Sheet.

As for ii) above, the filing for the Danish FSA approving the license for rendering insurance services was made in May 2021. On 30 September 2021, the Danish FSA approved the application for the license for rendering insurance services.

In relation to iii) above, the Reorganisation will take place following the Demerger, currently expected to include (a) the distributions of Chopin Forsikring's shares to Scandi JV Co and (b) the cancellation or buyback of the shares held by Scandi JV Co 2 in Scandi JV Co in consideration for the transfer of Chopin Forsikring's shares to Scandi JV Co 2. The Seller has given certain undertakings and warranties in the Share Purchase Agreement in terms of completion of the Reorganisation. However, the Company has no control in relation to the process hereof.

In terms of (iv) above the Company expects to complete the Offering in line with the expected timetable as set out in Part II, section 25.2 – "Terms and conditions of the Offering" – "Expected timetable of the Offering".

The Danish FSA is expected to decide upon approval of the Company's acquisition of Codan Denmark and Privatsikring, cf. section 61 of the Danish Financial Business Act, as outlined in (v) above, before the end of 2021.

Finally, in relation to (vi) above, the Seller and the Company plan to submit the first draft notification to the Danish Competition and Consumer Authority in mid-August 2021. The Danish Competition and Consumer Authority has a wide discretion in deciding what investigatory steps to take in the merger review process, which may impact the timing of the approval.

If one or more of the conditions have not been satisfied (or waived) on or before 31 December 2022 (or if the conditions related to conditions (iv) the Offering, (v) the approval from the Danish FSA in accordance with section 61 of the Danish Financial Business Act or (vi) the competition approval have not been satisfied by 31 December 2022, such later date as the Seller may determine in its sole discretion) (the "Long Stop Date"), the Share Purchase Agreement may be terminated.

Upon completion of the Acquisition, the parties to the Share Purchase Agreement must comply with certain customary completion requirements. If a party does not comply with such requirements, the other party may in certain events terminate the Share Purchase Agreement.

Prior to completion of the Acquisition, the Demerger of Codan Forsikring must be completed whereby Codan DK Business will be demerged into Chopin Forsikring and Trygg-Hansa and Codan Norway into Tryg. Furthermore, the Reorganisation must be completed whereby Chopin Forsikring will be transferred to Scandi JV Co.

The Seller has given various customary fundamental and business warranties to the Company. In this respect, the Company has taken out customary warranty and indemnity insurance which provides coverage for losses arising from a breach of those seller's warranties, subject to a limit of DKK 2.5 bn and various customary and deal specific exclusions.

### **Demerger**

The Demerger will be initiated and carried out by Tryg and Intact, and the Company will have no control of or influence on the process or the execution of the Demerger, except for what is described under this section 21.1.1 – "Material " – "Summary of material contracts relating to the Acquisition" – "Demerger" of this Prospectus. The Company is not a party to the Demerger Agreement, which together with the Separation Agreement, sets out the terms and principles for the Demerger.

The purpose of the Demerger is to provide Tryg with the sole legal ownership of Trygg-Hansa and Codan Norway and Intact and Tryg with the co-ownership of Codan Denmark via Chopin Forsikring. After completion of the Acquisition, Chopin Forsikring will be fully transferred to the Company.

### **Reorganisation**

Following the Demerger, Tryg and Intact will complete the Reorganisation being the steps necessary for the legal and beneficial ownership of the shares issued by Chopin Forsikring to transfer from Codan A/S to the Seller following completion of the Demerger.

## **21.1.2 Transitional Services Agreements**

### **TSA1**

With the purpose of ensuring business continuity in the ordinary course hereof without unnecessary interruptions, RSA and Codan Forsikring entered into TSA1 on 1 June 2021. In accordance with the terms of TSA1, RSA will continue to support Codan Forsikring within the areas of Marine, Claims, Reinsurance, Underwriting, Finance, IT, Reward and Risk & Compliance, including the Norwegian and Swedish branch of Codan Forsikring. Codan Forsikring will in turn provide services to RSA in relation to IT, Claims, Capital Management & Reserving and Finance.

Under TSA1, Intact will manage the day-to-day operations of Codan DK Business, while Tryg Forsikring A/S will manage the day-to-day operations of the Trygg-Hansa and Codan Norway. This structure is enabled and governed by the Interim Governance Agreement entered into by Codan Forsikring A/S, Codan A/S, Tryg Forsikring A/S and Intact Financial Corporation, as well as the Outsourcing Agreement entered into by Codan Forsikring and Tryg Forsikring A/S.

At the date of the Demerger, RSA and Codan Forsikring will transfer TSA1 to Chopin NewCo A/S (now: Chopin Forsikring), and RSA shall continue to provide the TSA1 services that are required post-Demerger, including services required for the performance of TSA2 which is expected to be entered into. TSA1 are expected to be in force until 1 March 2023.

The terms of TSA1 provide, in the Company's opinion, a reasonable service standard, possible extensions of service terms, including in terms of identified requirements from applicable law, omitted services, change of management, customary warranties, and termination regulation. In the Company's opinion, the terms of TSA1 are customary and market conform.

## **TSA2**

In addition to replacing Codan Forsikring in TSA1 in terms of the Codan DK Business, on the date of Demerger, Chopin NewCo A/S (now: Chopin Forsikring) is also expected to enter into TSA2 with Tryg Forsikring A/S.

TSA2 has been disclosed to the Group in an early working draft format and as of the Prospectus Date the TSA2 is still being negotiated and the final scope for TSA2 has accordingly not been concluded. However, based on the information disclosed by the Sellers, Chopin Forsikring is expected to provide services to Tryg Forsikring A/S as of the date of Demerger to ensure business continuity in the ordinary course hereof without unnecessary interruptions. Such services may be within the scope of IT, Finance, Reinsurance, Legal, Risk & Compliance, HR, Procurement and Facilities and Underwriting and will include passing through TSA1 services. Additionally, services may also be delivered under TSA2 from Tryg Forsikring A/S to Chopin Forsikring. TSA2 will initiate on the date of Demerger. Term of services are being determined, but all or the majority of services are expected to terminate earlier than 24 months after Demerger.

### **21.1.3 Irrevocable undertaking to the Seller and the Managers**

In connection with the Share Purchase Agreement, the Association has provided an irrevocable subscription and voting undertaking towards the Seller and the Managers. According to the irrevocable subscription and voting undertaking, the Association has undertaken the following:

- (i) From the date of the irrevocable subscription and voting undertaking, being 11 June 2021, up to and including the record date for the extraordinary general meeting held by the Company on 2 September 2021 (the "Record Date"), not to sell or otherwise transfer any Existing Shares held by the Association, without the prior written consent of the Company and the Seller. This shall not apply to (a) any sale or other transfer of Existing Shares held by the Association according to section (v) below provided that the Company shall use its reasonable endeavours to procure that any purchaser or transferee of such Existing Shares held by the Association agrees in writing with the Seller to be bound by the terms of this section (i) and section (vi) below in relation to the Existing Shares it acquires from the Association as if it were a party to the irrevocable subscription and voting undertaking and, in any event, following such sale or other transfer, the Association will continue to hold a sufficient number of Existing Shares held by the Association in order for it to comply with its obligations under section (iv) below and (b) any pledging of the Existing Shares held by the Association in favour of a lender (but only in the case where in granting the pledge we retain full voting rights attached to those Existing Shares held by the Association) where the proceeds from the loan is used to purchase further New Shares.



- (ii) Save for a sale, other transfer or pledge in accordance with (i) above, until the first day of trading of the New Shares in the existing ISIN code of the Existing Shares, DK0015250344, the Association shall not sell any Existing Shares held by the Association, without the prior written consent of the Company and the Seller.

Further, the Association has irrevocably and unconditionally undertaken for the benefit of the Seller and the Company, to:

- (i) within one month of the date of the irrevocable subscription and voting undertaking, establish an escrow account/deposit to be held by one of the Managers (the "Escrow Deposit") on terms satisfactory to the Seller, and immediately deposit cash or cash equivalents (listed debt securities) in an amount of DKK 3.750 billion into that Escrow Deposit (to be released in connection with the Association's subscription of New Shares),
- (ii) subscribe for New Shares by way of exercise of Pre-emptive Rights and pay the corresponding amount no later than 3 days prior to the end of the Subscription Period to the Escrow Deposit as instructed, for a total subscription amount of approximately DKK 3.750 billion,
- (iii) subscribe for New Shares on a cash neutral basis by the sale of Existing Shares held by the Association and/or Pre-emptive Rights sold in one or more placings prior to closing and completion of the Offering (the "Sale"), subject to (i) above. The Association acknowledges and agrees that the entire net proceeds from any sale or pledge (as described in (i) above) shall (subject to the establishment of an Escrow Deposit in accordance with (iii) above) be deposited into the Escrow Deposit as soon as possible upon receipt of such proceeds and in any event, by no later than the second business day after such receipt, and used to subscribe for New Shares as soon as reasonably practicable during the Subscription Period following receipt of such proceeds, and
- (iv) exercise all voting rights attaching to the Existing Shares held by the Association (save for the voting rights attaching to any Existing Shares sold according to (i)(a) above and subject to (i) above) and any additional voting rights in the Company which the Association controls at the time of the extraordinary general meeting held by the Company on 2 September 2021, to vote (a) in favour of the Offering at the extraordinary general meeting as well as in favour of any related resolutions at any other general meetings or adjournments thereof in such a way as the Company and/or the Seller, acting reasonably and in good faith, determines to be necessary to approve, support and give effect to the Offering and/or the Acquisition (and the Association shall not amend, revoke or withdraw such vote) and (b) against any resolution or proposal made at the extraordinary general meeting (or any other general meeting of the Company or adjournments thereof) that is intended, in the reasonable opinion of the Company and the Seller acting in good faith, to block, delay or be detrimental to the Offering or the Acquisition, and the Association shall not take any other action that, in the reasonable opinion of the Company and the Seller, would block, delay or be detrimental to the passing of the resolution in favour of the Offering at the extraordinary general meeting held by the Company.

The irrevocable subscription and voting undertaking is conditional only upon the Company's decision to proceed with the Acquisition and to proceed with the Offering according to a valid authorisation to issue New Shares adopted at the extraordinary general meeting held by the Company on 2 September 2021.

The irrevocable subscription and voting undertaking shall terminate and cease to have any effect on the earliest to occur i) the time at closing and completion of the Offering, or ii) the date that the Seller informs the Company or the Company informs the Seller that the Acquisition is withdrawn, and the Company is not pursuing the Offering.

The irrevocable subscription and voting undertaking shall not replace or supersede the irrevocable subscription undertaking dated 31 May 2021 from the Association to the Company and Managers as described in section 21.2.2 – "Material " – "Summary of material contracts relating to the Offering" – "Irrevocable subscription undertaking by the Association" below.

## **21.2 Summary of material contracts relating to the Offering**

### **21.2.1 Underwriting Agreement**

In connection with the Offering, the Company and the Managers (as outlined in the table below) have entered in an Underwriting Agreement on the Prospectus Date.

Prior to entering into the Underwriting Agreement, the Company and the Managers entered into a Stand-By Underwriting Agreement on 31 May 2021. Subject to the terms and conditions of the Stand-By Underwriting Agreement, the Joint Global Coordinators and the Joint Bookrunners had undertaken to enter into the Underwriting Agreement, and the Company had undertaken to execute the Offering including all necessary steps related thereto.

In consideration for the services performed by the Managers under the Stand-By Underwriting Agreement, a stand-by commission of 0.10% of a pre-defined amount as is stand-by underwritten was paid by the Company on a monthly basis and calculated from the date of signing of the Stand-by Underwriting Agreement until announcement of launch of the Offering, being the same date as the Prospectus Date, or the date that the Company informs the Managers that the Acquisition is withdrawn and that the Company is not pursuing the Offering, however not exceeding a total of 0.50% of the pre-defined amount referred to above in relation to the period from the company announcement regarding the Acquisition, published 11 June 2021, until announcement of launch of the Offering, being the same date as the Prospectus Date.

The Stand-By Underwriting Agreement automatically terminates at the date of execution of the Underwriting Agreement and, thus, as at the Prospectus Date.

According to the Underwriting Agreement, and subject to the satisfaction of certain terms and conditions, each of the Managers has severally and not jointly agreed to subscribe for any Remaining Shares, that have not been subscribed for by the Existing Shareholders through the exercise of their allocated or acquired Pre-emptive Rights or by other investors through the exercise of their acquired Pre-emptive Rights before the expiry of the Subscription Period.

Subject to the terms and conditions of the Underwriting Agreement, the Managers will subscribe for such Remaining Shares at the Subscription Price. Hence, all New Shares will thus be fully subscribed, subject to the satisfaction of certain conditions as described below.

Unless the Company and the Managers agree otherwise, any Manager may require that the number of New Shares to be delivered to such Manager is reduced by a number of Remaining Shares to the effect that the acquisition of Remaining Shares by such Manager will not be subject to obtaining approval from the Danish FSA pursuant to section 61 of the Danish Financial Business Act, provided that if so requested by a Manager, such Manager shall, subject to certain conditions, prior to closing of the Acquisition but not earlier than 15 March 2022, subscribe for the remaining part of the Remaining Shares at the same terms ensuring that the Company will ultimately receive gross proceeds of DKK 10,472,046,300.

The Managers have each agreed to underwrite severally and not jointly the proportion of the Remaining Shares as set forth below.

**Table no. 85 – Underwriting proportion**

<b>Name:</b>	<b>Proportion of Remaining Shares:</b>
J.P. Morgan	40%
Nordea	40%
SEB	10%
Danske Bank	10%

In consideration for the services performed by the Managers under the Underwriting Agreement, and subject to the Underwriting Agreement not being terminated, the Company will pay the Managers the following fees in due proportion as outlined in the table above:

- a) a commission of 1.80% of the actual gross proceeds of the Offer received by the Company related to New Shares not sold to predefined investors, to be distributed amongst the Joint Global Coordinators and the Joint Bookrunners in proportion to their underwriting; and
- b) at the Company's sole and absolute discretion, a discretionary commission of up to 0.40% of the actual gross proceeds of the Offer received by the Company related to New Shares not sold to predefined investors, it being understood that such discretionary fee as a starting point shall be allocated pro rata to the underwriting quota of each Manager and in no event shall the allocation of the discretionary fee exceed each Manager's pro rata portion with more than 25%.

Under the Underwriting Agreement, the Company has given certain customary representations and warranties to the Managers and has also undertaken to indemnify the Managers and certain indemnified persons connected with each of them for certain liability obligations related to the Offering, including liabilities under applicable securities laws. It is agreed that Company shall not indemnify the indemnified persons to the extent that claims and losses are finally judicially determined by a court of competent jurisdiction to primarily result from (i) the fraud, gross negligence, wilful misconduct or bad faith of, or material breach of the Underwriting Agreement by

the indemnified persons, (ii) if and to the extent arising out of a decline in the market value of any New Shares subscribed for or purchased by or on behalf of such indemnified person pursuant to the obligations under the Underwriting Agreement (unless such decrease results from neglect or default of the Company) or (iii) in respect of any tax incurred by any indemnified person on its actual net income, profits or gains.

Further, the Company has given certain undertakings to the Managers, all subject to certain exceptions. The undertakings include (i) certain lock-up undertakings as described in Part II, section 27.2 – "Selling shareholders and lock-up" – "Lock-up agreements in connection with the Offering", (ii) restrictions on making certain public announcements or communication material in the context of the Company, Group, the Enlarged Group, the Offering and/or the Acquisition for a period of (90) calendar days following completion of the Offering without the prior written consent of the Joint Global Coordinators, (iii) a restriction on entering into any agreement or commitments material in the context of the Offering and the Acquisition for a period of (90) calendar days following completion of the Offering without the prior written consent of the Joint Global Coordinators and (iv) certain dividend and distribution restrictions prior to completion of the Offering without the prior written consent of the Joint Global Coordinators.

Members of the Board of Directors and the Executive Management has undertaken certain lock-up undertakings as described in Part II, section 27.2 – "Selling shareholders and lock-up" – "Lock-up agreements in connection with the Offering".

The Underwriting Agreement provides that the obligations of the Managers are subject to the following conditions having been satisfied, excluding any conditions which have been satisfied as at the Prospectus Date, waived or extended in relation to the time and/or the date for satisfaction at the sole and absolute discretion of each of the Joint Global Coordinators; (i) the company announcement regarding the Acquisition and regarding the Offering shall have been prepared and made public in accordance with applicable Danish laws and regulations, (ii) there not having occurred prior to the registration of the New Shares with the Danish Business Authority, in each case in relation to the Group taken as a whole, (a) the appointment of any receiver, administrative receiver, administrator, liquidator, compulsory manager or other similar officer in respect of all or a majority of its material assets, (b) an application having been made for its judicial winding-up or liquidation, or (c) any event or circumstances analogous to any of those mentioned in (a) and (b), in any country or territory in which it is incorporated or carries on business or whose courts it or a majority of its material assets are subject, (iii) the authorisation of the Shareholders to the Board of Directors to issue the New Shares given at the extraordinary general meeting held by the Company on 2 September 2021, and the Board of Directors' exercise of such authorisation and approval of the Prospectus and the Offering, not having been revoked (in whole or in part) prior to the registration of the New Shares with the Danish Business Authority, (iv) the verification shall have taken place to the satisfaction of the Managers and a verification document has been duly signed by all signatories thereto and (a) the statements therein shall remain true and accurate on the Prospectus Date and (b) the statements therein shall in all material respects remain true and accurate on 3 December 2021, (v) the Prospectus has been approved by the Danish FSA pursuant to the Prospectus Regulation and such approval shall not have been revoked and the Prospectus has been advertised and made available in the manner specified in article 21 of the Prospectus Regulation or in such other manner as

the Managers may agree with the Company, (vi) the Managers having received such regulatory approvals (if any) as are required to ensure that the Managers do not act contrary to the order of any court, arbitral body, administrative body or agency or any law, regulation, treaty or official directive applicable to it, (vii) Nasdaq Copenhagen shall have approved the Admission (subject to certain conditions) and the Admission shall not have been revoked prior to the registration of the New Shares with the Danish Business Authority, (viii) the Share Purchase Agreement having been entered into and, other than with the prior consent of Joint Global Coordinators (not to be unreasonably withheld), not having been amended with material adverse effect to the Company, and not having been lapsed or terminated in accordance with its terms, (ix) no condition to the Share Purchase Agreement having become incapable of satisfaction or having been waived and no termination right having become or being reasonably likely to become incapable of exercise, in each case in the opinion of the Joint Global Coordinators acting reasonably, (x) the Joint Global Coordinators shall have received in form and substance satisfactory to each of the Joint Global Coordinators the documents as listed in a schedule to the Underwriting Agreement, including among others comfort packages from the Company's auditors and from Codan Denmark's auditors, (xi) the representations and warranties of the Company contained in the Underwriting Agreement shall be true and correct as of the date hereof, as of the company announcement regarding the results of the Offering and as of 2 December 2021, and the Company shall have complied with all of its obligations under the Underwriting Agreement and satisfied all of the conditions on each of their respective parts to be performed or satisfied hereunder on or before 2 December 2021, as the case may be, (xii) that the Offering on the date of the Underwriting Agreement, being the same date as the Prospectus Date, remains 100% underwritten, including through the subscription undertakings by certain predefined investors, (xiii) on or prior to 2 December 2021, the New Shares shall have been accepted for book-entry transfers by VP Securities, (xiv) the lock-up undertaking undertaken by the Association as described in Part II, section 27.2 – "Selling shareholders and lock-up" – "Lock-up agreements in connection with the Offering", shall have been executed by the Association and delivered to the Joint Global Coordinators on or before the date of the Underwriting Agreement, and be in full force and effect as of the date of the Underwriting Agreement, the date of the company announcement regarding result of the Offering and 2 December 2021, (xv) the lock-up undertakings undertaken by the Management as described in Part II, section 27.2 – "Selling shareholders and lock-up" – "Lock-up agreements in connection with the Offering", shall have been delivered to the Joint Global Coordinators on or before the date of the Underwriting Agreement, and be in full force and effect as of the date of the Underwriting Agreement, the date of the company announcement regarding result of the Offering and 2 December 2021, (xvi) the irrevocable subscription undertaking (as described in this section 21.2.2 – "Material " – "Summary of material contracts relating to the Offering" – "Irrevocable subscription undertaking by the Association" below) by the Association is in place, have been complied with and have not been revoked, withdrawn, or made null and void for whatever reason whatsoever (in whole or in part), and (xvii) the Company shall use reasonable endeavours to procure that (a) each of conditions set out in the Underwriting Agreement is fulfilled by the time stated, and in any event at the time of the registration of the New Shares with the Danish Business Authority and (b) that the registration of the New Shares with the Danish Business Authority takes place as in accordance with the Underwriting Agreement (or such later time and/or date to be agreed in writing between the Company and the Joint Global Coordinators).

If, by the times specified above, or if no time is specified, prior to registration of the New Shares with the Danish Business Authority, any of the conditions above is not satisfied (or waived by the Joint Global Coordinators, on behalf of the Managers), the Joint Global Coordinators, on behalf of the Managers, will be entitled to terminate the Underwriting Agreement. In addition, the Joint Global Coordinators, on behalf of the Managers, will be entitled to terminate the Underwriting Agreement if (i) the Acquisition is withdrawn and the Company has decided not to pursue with the Offering as result thereof, (ii) the Admission is withdrawn by Nasdaq Copenhagen or (iii) the registration of the New Shares is refused by the Danish Business Authority.

Other than as set out above, the Joint Global Coordinators, on behalf of the Managers, will not be entitled to terminate the Underwriting Agreement. If the Underwriting Agreement is terminated, the Offering will be withdrawn.

Any termination rights will lapse upon registration of the New Shares with the Danish Business Authority, currently expected to take place on 2 December 2021.

#### **21.2.2 Irrevocable subscription undertaking by the Association**

In connection with the Stand-by Underwriting Agreement entered into in connection with the announcement of the Acquisition, the Association has provided an irrevocable subscription undertaking to the Company and the Managers. According to the irrevocable subscription undertaking, the Association has irrevocably and unconditionally undertaken towards the Company and each of the Managers to: (i) subscribe for New Shares by way of exercise of Pre-emptive Rights and pay the corresponding amount no later than 3 days prior to the end of the Subscription Period to the Managers as instructed, for a total subscription amount of approximately DKK 3,750 million, and (ii) subscribe for New Shares on a cash neutral basis by sale of Existing Shares held by the Association and/or Pre-emptive Rights intended to be sold in one or more placings prior to closing of the Offering.

On 26 August 2021, the Association sold 21,000,000 Existing Shares in the Company equivalent to 13.6% of share capital of the Company to institutional investors pursuant to an accelerated bookbuild offering. The accelerated bookbuild offering resulted in the Association reducing its interest in the Company from approximately 58.2% to approximately 44.6% of the Existing Shares with a net proceed of approximately DKK 900 million, thereby bringing the aforementioned irrevocable subscription undertaking to approximately DKK 4.650 billion. Based on the subscription undertaking, it is the expectation of the Association to subscribe for its pro-rata share of the Offering.

The Association's obligations to subscribe for New Shares in the Offering pursuant to the irrevocable subscription undertaking is conditional only upon the Company's decision to proceed with the Offering according to a valid authorisation to issue New Shares adopted at the extraordinary general meeting held prior to the Prospectus Date.

It is agreed that the irrevocable subscription undertaking shall terminate and cease to have any effect on the earliest to occur i) the time at closing and completion of the Offering, or ii) the date that the Company informs the Managers that the Acquisition is withdrawn and that the Company is not pursuing the Offering.

In addition to the irrevocable subscription undertaking, the Company announced on 19 August 2021 that the Association expects to obtain financing of around DKK 500 million to allow for potential further participation in the Offering. On 1 October 2021, it was furthermore announced in a press release that the Association increased its potential further participation in the Offering with an additional DKK 200 million.

### **21.2.3 Irrevocable subscription undertakings by other investors**

The Company has received irrevocable subscription undertakings to subscribe for New Shares through the exercise of Pre-emptive Rights allocated based shares acquired in connection with accelerated bookbuilding executed 26 August 2021, from AP Pension Livsforsikringsaktieselskab, Nykredit Realkredit A/S and Østifterne f.m.b.a corresponding to an aggregate amount of DKK 547 million. The total irrevocable undertakings reflect 5.2% of the Offering.

## **21.3 Other material contracts relating to the Group's ordinary course of business**

### **21.3.1 Share purchase agreement, transitional service agreement and temporary partnership agreement related to the sale of Alm. Brand Liv og Pension and its subsidiary, Alm. Brand Ejendomsinvest A/S**

On 1 October 2021, Alm. Brand Forsikring A/S and Nordic I&P DK ApS entered into a conditional share purchase agreement regarding the sale of the entire share capital of Alm. Brand Liv og Pension, which distributes the Group's life insurance products, including its fully owned subsidiary, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S. In addition to the Divestment, the parties have agreed to enter into a partnership agreement as described below.

The completion of the Divestment is subject to approval from the Danish FSA.

The purchase price for the shares in Alm. Brand Liv og Pension amounts to DKK 1,100 million adjusted for the variation in the shareholders' equity of Alm. Brand Liv og Pension between 30 June 2021 and the date of completion.

Pursuant to the share purchase agreement, the parties have agreed on key terms for a transitional services agreement and a temporary partnership agreement. The transitional services agreement and the temporary partnership agreement will be agreed by the parties prior to completion and will be executed upon completion.

Under the transitional services agreement, the Group (not being Alm. Brand Liv og Pension and Alm. Brand Ejendomsinvest A/S) will provide certain transitional services to Alm. Brand Liv og Pension and Alm. Brand Ejendomsinvest A/S for an interim period after completion to ensure that the business of Alm. Brand Liv og Pension and Alm. Brand Ejendomsinvest A/S is able to continue to run substantially in the same manner as before completion of the transaction. The transitional services will remain in force in a period of 15 months after the date of completion, unless otherwise agreed between the parties. The parties have agreed that each party will have the right to terminate the transitional service agreement with immediate effect in certain situations prior to expiry.

Under the temporary partnership agreement, Alm. Brand Forsikring A/S shall to the extent permissible under applicable law distribute Alm. Brand Liv og Pension's guaranteed pension products (in Danish: "*gennemsnitsrenteprodukter*") on an exclusive basis. The temporary partnership agreement will commence on the date of completion and will be non-terminable for Alm. Brand Forsikring A/S for a term of 24 months but can otherwise be terminated by the parties with three months' written notice.

Alm. Brand Forsikring A/S is obliged to execute various carve-out matters prior to completion, including transfer of certain perimeter employees.

The share purchase agreement provides sell-side representations, warranties and indemnities deemed customary by the Alm. Brand Forsikring A/S. Provisions in terms of remedy for breach of contract in relation to the share purchase agreement and the transitional agreement are also deemed customary by the Company. The buyer has taken out customary warranty and indemnity insurance covering the buyer for breach of the seller's warranties.

The share purchase agreement can be terminated prior to completion by Alm. Brand Forsikring A/S only, if the buyer fails to obtain approval from the Danish FSA no later than 31 May 2022. The buyer cannot terminate the share purchase agreement.

#### **21.3.2 Share purchase agreement and transitional service agreement related to the sale of Alm. Brand Bank A/S (now Syd ABB A/S)**

On 1 October 2020, the Company and Sydbank A/S entered into a share purchase agreement regarding the sale of the entire share capital of Alm. Brand Bank A/S (now Syd ABB A/S) and the Company's tier 3 capital instruments and the Association's tier 2 capital instruments. In addition to the sale of shares and capital instruments, the parties agreed to enter into a partnership agreement as described below.

The sale of Alm. Brand Bank A/S (now Syd ABB A/S) was completed at 95% of the net asset value and freed up capital in a net amount of approximately DKK 1.2 billion.

The closing conditions applicable to the share purchase agreement were met 30 November 2020. The Company agreed to provide certain transitional services to Sydbank A/S for an interim period after closing to ensure that the business of Alm. Brand Bank A/S (now Syd ABB A/S) is able to continue to run substantially in the same manner as before closing of the transaction. The transitional service agreement has expired but as of the Prospectus Date certain services are still provided under separate agreements.

According to the share purchase agreement, the parties have also agreed that, subject to the limitations under applicable laws and regulations, each of the parties shall sign and deliver any such documents and take any such actions as may reasonably be required by the other party in order to carry out the provisions of the agreement and to consummate the transactions contemplated in the agreement as part of the actions to be taken after closing.

The agreement provides sell-side representations, warranties and indemnities deemed customary by the Company. Provisions in terms of remedy for breach of contract in relation to the share



purchase agreement and the transitional agreement are also deemed customary by the Company.

The share purchase agreement cannot be terminated as closing has taken place.

#### **21.3.3 Partnership agreement with Sydbank A/S**

Alm. Brand Forsikring A/S has on 1 October 2020 entered into a strategic partnership agreement with Sydbank A/S regarding distribution of insurance products and bank products.

According to the agreement, the parties have made an agreement to provide access to offering certain insurance products and bank products entailing among other things that Sydbank A/S will distribute the Group's insurance products to its customers, and Alm. Brand Forsikring A/S will refer its customers to Sydbank A/S.

In addition to the above, the parties have agreed to integrate products and digital solutions for the benefit of the customers of the Group and Sydbank A/S and to jointly invest in developing new and innovative products and creating a unique customer experience. One of the plans envisaged by the two companies is a full digital integration of the Group's insurance products with Sydbank A/S' mobile banking services.

#### **21.3.4 Partnership agreement with Volkswagen Semler Finans Danmark A/S**

Alm. Brand Forsikring A/S has on 30 June 2020 entered into a partnership agreement with Volkswagen Semler Finans Danmark A/S ("VWSF") in which VWSF and Alm. Brand Forsikring A/S has undertaken to cooperate in relation to future distribution channels and digital products within insurance products. According to the agreement, VWSF has among other things undertaken to distribute Alm. Brand Forsikring A/S' insurance products in relation to vehicle insurances to private and commercial customers of the cars sold or leased by VWSF.

As a result of the corporation within digital solutions, VWSF will be able to offer its customers a vehicle insurance when they buy or lease a new car, and it will become easier for the customers to report damages and find service stations.

## 22. DOCUMENTS AVAILABLE FOR INSPECTION

For the term of the Prospectus, the following documents can be inspected on the Company's website: <https://investor.almbrand.dk>:

- The Company's Memorandum of Association and Articles of Association
- The 2020 Consolidated Financial Statements
- The 2019 Consolidated Financial Statements
- The 2018 Consolidated Financial Statements
- Q1 – Q3 2021 Condensed Interim Financial Statements
- 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark
- Q1 – Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark
- The Prospectus

Except for the information incorporated herein by reference, the contents of the website do not form part of the Prospectus.

## **II. THE OFFERING**

### **23. ESSENTIAL INFORMATION ON PERSONS INVOLVED IN THE OFFERING, CAPITALISATION AND USE OF PROCEEDS**

#### **23.1 Interest of natural and legal persons involved in the Offering**

Some members of the Board of Directors and the Executive Management are Existing Shareholders, directly or indirectly, in the Company and such members of the Board of Directors and the Executive Management will undertake to exercise their Pre-emptive Rights in whole or in part.

The Company's major shareholder, the Association, has signed an irrevocable subscription undertaking under which the Association irrevocably has undertaken towards the Company and the Managers in connection with the Offering to subscribe for New Shares by way of exercise of Pre-emptive Rights and pay the corresponding amount no later than 3 days prior to the end of the Subscription Period to the Managers as instructed, for a total subscription amount of approximately DKK 3.750 billion and to subscribe for New Shares on a cash neutral basis by sale of Association Shares and/or Pre-emptive Rights to be sold prior to closing of the Offering. Reference is made to Part II, section 25.18.5 – "Terms and conditions of the Offering" – "Placing and underwriting" – "Advance undertakings". On 26 August 2021, the Association sold 21,000,000 Existing Shares in the Company equivalent to 13.6% of share capital of the Company to institutional investors pursuant to an accelerated bookbuild offering. The accelerated bookbuild offering resulted in the Association reducing its interest in the Company from approximately 58.2% to approximately 44.6% of the Existing Shares with a net proceed of approximately DKK 900 million, thereby bringing the aforementioned irrevocable subscription undertaking to approximately DKK 4.650 billion. Based on the subscription undertaking, it is the expectation of the Association to subscribe for its pro-rata share of the Offering. The Association's obligations to subscribe for New Shares in the Offering pursuant to the irrevocable subscription undertaking is conditional only upon the Company's decision to proceed with the Offering according to a valid authorisation to issue New Shares adopted at the extraordinary general meeting held prior to the Prospectus Date. It is agreed that the irrevocable subscription undertaking shall terminate and cease to have any effect on the earliest to occur i) the time at closing and completion of the Offering, or ii) the date that the Company informs the Managers that the Acquisition is withdrawn and that the Company is not pursuing the Offering. In addition to the irrevocable subscription undertaking, the Company announced on 19 August 2021 that the Association expects to obtain financing of around DKK 500 million to allow for potential further participation in the Offering. On 1 October 2021, it was furthermore announced in a press release that the Association increased its potential further participation in the Offering with an additional DKK 200 million.

The Joint Global Coordinators and the Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities related to the Com-

pany, its affiliates or other parties involved in or related to the Offering. The Joint Global Coordinators and the Joint Bookrunners and their respective affiliates have from time to time been engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company or any of Company's respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations.

The Joint Global Coordinators and the Joint Bookrunners have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with the interests of Shareholders, prospective investors and the Company. In addition, in the ordinary course of business, the Joint Global Coordinators and the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Company. The Joint Global Coordinators and the Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Company is not aware of any other potential interests, including conflicting ones, of natural or legal persons involved in the Offering that may have a material interest in the Offering

### **23.2 Reasons for the Offering and use of proceeds**

The reason for the Offering is for the Company to raise funds to finance its cash consideration for the Acquisition. Hence, the majority of the proceeds from the Offering (DKK 10,472,046,300) will be used to pay the consideration payable by the Company to the Seller. Reference is made to Part I, section 5 – "Details of the Acquisition" and Part I, section 21 – "Material " for further details.

The remaining part of the proceeds from the Offering will be used to cover part of the fees payable by the Company in connection to the Offering to the Managers (which fees are expected to be approximately DKK 230,000,000).

On the basis of a Subscription Price of DKK 7.55 per New Share and issuance of 1,387,026,000 New Shares with a nominal value of DKK 1 each and that the Offering, subject to certain conditions, is fully underwritten, the gross proceeds to the Company from the subscriptions for New Shares will be DKK 10,472,046,300 and the net proceeds are expected to be approximately DKK 10,242,046,300 after deduction of commissions and estimated expenses payable by the Company in connection with the Offering.

The Acquisition will partly be financed partly by the proceeds from the Offering expected to result in a net amount of at least DKK 10,242,046,300, partly by the Company's issuance of tier

2 capital notes 14 October 2021 amounting to DKK 1,300 million as well as the Company's existing funds including proceeds from the Divestment and/or via other financing sources. Further, the Company expects to issue restricted tier 1 capital of around DKK 400 million subsequent to the Offering. An amount of at least DKK 11,750,000,000 less any amount deposited in cash or cash equivalents on an escrow account (or such lower amount as may be agreed by the Seller in writing pursuant to the Share Purchase Agreement as described in Part I, section 21.1.1 – "Material" – "Summary of material contracts relating to the Acquisition" – "Share Purchase Agreement") must be paid into a DKK-denominated escrow account with the Escrow Agent and will be automatically paid to the Seller on completion of the Acquisition in part satisfaction of the cash consideration payable by the Company according to the Share Purchase Agreement.

### **23.3 Working capital statement**

The Management considers the working capital available to the Enlarged Group or, in case the Acquisition and the Offering is not completed and the proceeds are returned to the Shareholders, to the Group sufficient for at least the next 12 months following the Prospectus Date.

The Offering is, subject to certain conditions, fully underwritten and upon completion and settlement of the Offering, the working capital will increase by the net proceeds from the Offering. Thus, in the opinion of the Management, the working capital available to the Enlarged Group is, at the date of completion of the Offering, sufficient for the Enlarged Group's present requirements for at least the next 12 months following the Prospectus Date, including the consideration payable by the Company at completion of the Acquisition.

In case the Acquisition and the Offering are not completed, the Management considers the working capital available to the Group prior to the Offering sufficient for the Group's present requirements for at least the next 12 months following the Prospectus Date.

### **23.4 Capitalisation and indebtedness**

The following tables set forth the consolidated capitalisation, indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured) and cash, cash equivalents and securities of the Company as of 30 September 2021. The tables should be read in conjunction with the 2020 Consolidated Financial Statements, 2019 Consolidated Financial Statements, 2018 Consolidated Financial Statements and Q1 - Q3 2021 Condensed Interim Financial Statements.

The Group's consolidated capitalisation and indebtedness is presented:

- on an actual historical basis reflecting the carrying amounts on the consolidated balance sheet of the Group as of 30 September 2021;
- on a combined basis reflecting the carrying amounts on the combined statement of interim financial position of Codan Denmark as of 30 September 2021; and
- on pro forma basis of the Enlarged Group as of 30 September 2021 to give effect to the Acquisition, the Divestment and the Offering.

Table no. 86 – Capitalisation as at 30 September 2021

DKKm	The Group I)	Discontinuing activities II)	Codan Denmark III)	Pro forma adjustmentsIV)	Effect of the Offering V)	Pro forma for the Enlarged Group
<b><u>Total current debt</u></b>						
<b><u>(including current portion of non-current debt)</u></b>						
Guaranteed	0		0			0
Secured	534	-384	0			150
Unguaranteed / unsecured	81		611			692
<b><u>Total non-current debt (excluding current portion of non-current debt)</u></b>						
Guaranteed	0		0			0
Secured	157		0			157
Unguaranteed / unsecured	437		151	1,300		1,888
<b><u>Shareholder's equity</u></b>						
Share capital	154		15	-15	1,387	1,541
Reserve for exchange rate adjustments	-		0	-	-	0
Contingency funds	182	-101	1,088			1,169
Other reserves	2,602		-3	3		2,602
Retained earnings	333	646	3,710	-4,798	8,855	8,746
<b>Total Equity</b>	<b>3,271</b>	<b>545</b>	<b>4,810</b>	<b>-4,810</b>	<b>10,242</b>	<b>14,058</b>
Additional tier 1 capital holders				<b>400</b>		<b>400</b>
<b>Total equity and tier 1 capital</b>	<b>3,271</b>	<b>545</b>	<b>4,810</b>	<b>-4,410</b>	<b>10,242</b>	<b>14,458</b>
<b>Total</b>	<b>4,480</b>	<b>161</b>	<b>5,572</b>	<b>-3,310</b>	<b>10,242</b>	<b>17,345</b>

DKKm	The Group I)	Discontinuing activities II)	Codan Denmark III)	Pro forma adjustmentsIV)	Effect of the Offering V)	Pro forma for the Enlarged Group
<b><u>Solvency ratio</u></b>						
Total equity and tier 1 capital	3,271	545	4,810	-4,410	10,242	14,458
Capital adjustment	-		-1,138	1,138		
Intangible assets	-27		-615	-9,831		-10,473
Profit margin, solvency purpose	544	-270	340	-	-	614
Taxes	0		43	450		493
Tangibles	0		-1			-1
Prepayments	0		-59			-59
Subordinate loan capital	0		0	1,300		1,300
<b>Total capital (own funds)</b>	<b>3,788</b>	<b>275</b>	<b>3,380</b>	<b>-11,353</b>	<b>10,242</b>	<b>6,332</b>
Capital requirement	1,101					3,127
<b>Solvency ratio</b>	<b>344%</b>					<b>202%</b>

I) This column shows selected balance sheet items derived from the Q1 - Q3 2021 Condensed Interim Financial Statements of the Group included in this Prospectus by reference.

II) This column shows balance sheet items included in column I) related to Alm. Brand Liv & Pension A/S that for the proforma pro forma balance sheet as at 30 September 2021 is assumed sold with a gain impacting equity by plus DKK 545 million. By the sale the profit margin, solvency purpose and the capital requirement will be reduced for the Group.

III) This column shows selected balance sheet items derived from the Q1 - Q3 2021 Combined Carve-Out Interim Financial Statements of Codan Denmark included in Part IV, section 2 of this Prospectus.

IV) This column shows the hypothetical effect of the Acquisition.

V) This column shows the effect of the Offering. The Group assumes net proceeds from the Offering of DKK 10,242 million.

VI) The solvency capital requirement (SCR) of the Group was including results from Alm. Brand Forsikring's partial internal model DKK 1,101 million as of 30 September 2021. The SCR calculated by applying only the standard model Group SCR was DKK 1,534 million as of 30 September 2021. The Company consolidates the Group solvency capital requirement of the subsidiaries today by applying Solvency II consolidation method 1. The Group is expected to seek approval from the Danish FSA regarding permission to use a combination of consolidation method 1 and 2 as part of its future consolidation.

**Table no. 87 – Indebtedness as at 30 September 2021**

	The Group I)	Discontinuing activities II)	Codan Denmark III)	Pro forma adjustments IV)	Effect of the Offering V)	Pro forma for the Enlarged Group
<b>DKKmn</b>						
Cash	213	1,115	461	-12,491	10,242	-460
Cash equivalents	0		0			
Other current financial assets	0		0			
<b>Liquidity</b>	<b>213</b>	<b>1,115</b>	<b>461</b>	<b>-12,491</b>	<b>10,242</b>	<b>-460</b>
Current financial debt (including debt instruments but excluding current portion of noncurrent financial debt) <sup>(V)</sup>	606	-384	600			822
Current portion of non-current financial debt	9		11	1,300		1,320
<b>Current financial indebtedness</b>	<b>615</b>	<b>-384</b>	<b>611</b>	<b>1,300</b>		<b>2,142</b>
<b>Net current financial indebtedness</b>	<b>402</b>	<b>-1,499</b>	<b>150</b>	<b>13,791</b>	<b>-10,242</b>	<b>2,602</b>
Non-current financial debt (excluding current portion and debt instruments)	594		151			745
Debt instruments	0		0			0
Non-current trade and other payables	0		0			0
<b>Non-current financial indebtedness</b>	<b>594</b>		<b>151</b>			<b>745</b>
<b>Total financial indebtedness</b>	<b>996</b>	<b>-1,499</b>	<b>301</b>	<b>13,791</b>	<b>-10,242</b>	<b>3,347</b>

I) This column shows selected balance sheet items derived from the Q1 - Q3 2021 Condensed Interim Financial Statements of the Group included in this Prospectus by reference.



II) This column shows balance sheet items included in column I) related to Alm. Brand Liv & Pension A/S that for the proforma pro forma balance sheet as at 30 September 2021 is assumed sold for cash consideration corresponding to the equity value of DKK 570 million plus a gain of DKK 545 million net of any related costs (in total DKK 1,115 million).

III) This column shows selected balance sheet items derived from Q1 - Q3 2021 Combined Carve-Out Interim Financial Statements of Codan Denmark included in Part IV, section 2.

IV) This column shows the hypothetical effect of the Acquisition.

V) This column shows the effect of the Offering. The Group assumes net proceeds from the Offering of DKK 10,242 million.

The indebtedness table above excludes insurance assets and liabilities, investment contract assets and liabilities and other financial assets and liabilities that relate to the ongoing insurance operations of the business.

The Group has no significant indirect and contingent indebtedness. The tables should be read in conjunction with the following sections of the Prospectus Part I, section 5 – "Details of the Acquisition", section 10 – "Operating and financial review of the Group", section 13 – "Unaudited Pro Forma Financial Information", section 11– "Operating and financial review of Codan Denmark", section 21.3.1 – "Material Contracts" – "Other material contracts relating to the Group's ordinary course of business" – "Share purchase agreement, transitional service agreement and temporary partnership agreement related to the sale of Alm. Brand Liv og Pension and its subsidiary, Alm. Brand Ejendomsinvest A/S" and Part II, section 23.2 – "Reasons for the Offering and use of proceeds".

There have been no material changes affecting the Group's consolidated capitalisation and indebtedness between 30 September 2021 and the Prospectus Date.

## **24. INFORMATION CONCERNING THE NEW SHARES**

### **24.1 Type of security, amount of New Shares**

The Company only has one class of Shares.

The Company is offering 1,387,026,000 New Shares with a nominal value of DKK 1 each with Pre-emptive Rights for its Existing Shareholders. Further, the Prospectus comprises the Admission of the New Shares to trading and official listing on Nasdaq Copenhagen in connection with the completion of the Offering.

#### **24.1.1 Pre-emptive Rights**

The Offering is being made at the ratio of 9:1 which means that each Existing Shareholder will be entitled to and will be allocated 9 (nine) Pre-emptive Rights for each Existing Share held at the Allocation Time, and that one Pre-emptive Right will be required to subscribe for one New Share.

Pre-emptive Rights will be allocated free of charge to the Company's Existing Shareholders on 12 November 2021 at 5:59 p.m. CET through VP Securities. Existing Shares traded from 11 November 2021 at 9:00 a.m. CET will be traded without (ex) Pre-emptive Rights, assuming that such Existing Shares are traded with a customary two-day settlement period.

The Pre-emptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061678026. An application has been made for the Pre-emptive Rights to be admitted to trading and official listing on Nasdaq Copenhagen to the effect that they can be traded on Nasdaq Copenhagen during the period of 11 November 2021 at 9:00 a.m. CET to 24 November 2021 at 5:00 p.m. CET.

With the currently expected timetable, any trading in the Existing Shares prior to the last trading day including Pre-emptive Rights on 10 November 2021 at 5:00 p.m. CET, will include rights to receive Pre-emptive Rights in connection with the Offering. However, this will not apply if the registration in VP Securities of that particular trade in Existing Shares does not take place until after the Allocation Time, which may be the case if one or both parties to the trade is or will become a shareholder in the Company registered through a nominee or omnibus account and the trade in question, therefore, has to be registered through one or more custodian banks prior to the registration of the party in question in VP Securities. Investors are recommended to consult with their account-holding bank in relation to such trades.

Any trading in the Existing Shares after 11 November 2021 at 9:00 p.m. CET will be exclusive of rights to receive Pre-emptive Rights for the buyer unless the parties to the trade in question have taken specific measures to settle the trade in VP Securities prior to the Allocation Time on 12 November 2021 at 5:59 p.m. CET and, thus, chosen not to settle according to the customary settlement cycle with settlement two trading days after the transaction date. The party to the trade in question, who is the holder registered in VP Securities on the Allocation Time at 5:5 p.m. CET, will be considered the Existing Shareholder. The buyer and seller should in such trade be aware that the value of the right to receive Pre-emptive Rights for the buyer will likely

not be reflected in the trading price of the Existing Shares on Nasdaq Copenhagen after the last trading day in Existing Shares including Pre-emptive Rights, since such trading price is based on the customary two-day settlement cycle. Investors are recommended to consult with their account-holding bank in relation to trading in the Company's Existing Shares between the last trading day in Existing Shares including Pre-emptive Rights and the Allocation Time if such trade is not settled according to the customary two-day settlement cycle.

#### **24.1.2 The New Shares**

The Subscription Period for the New Shares commences on 15 November 2021 at 9:00 a.m. CET and closes on 26 November 2021 at 5:00 p.m. CET.

Any New Shares subscribed for from the exercise of Pre-emptive Rights will be recorded on the subscriber's book-entry account with VP Securities as Interim Shares representing New Shares after the subscription has been affected. The Interim Shares will be issued under an interim ISIN code DK0061678109. The Interim Shares will not be admitted to trading and official listing on Nasdaq Copenhagen. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares.

Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen has conditionally approved the New Shares for admission to trading and official listing. Admittance to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021. As soon as possible thereafter, the interim ISIN code of the Interim Shares will be merged with the ISIN code of the Existing Shares, DK0015250344, and the Interim Shares will automatically be converted into New Shares, expected to take place on 7 December 2021. The Existing Shares are admitted to trading and official listing on Nasdaq Copenhagen under the symbol "ALMB".

#### **24.2 Currency**

The Offering will be carried out and trading in the Pre-emptive Rights will be in DKK. The New Shares are denominated in DKK.

#### **24.3 Resolutions, authorisations and approvals**

The New Shares will be issued pursuant to an authorisation granted to the Board of Directors according to which the Board of Directors is authorised to increase the share capital by one or more issues of New Shares by up to a nominal amount of DKK 3,100,000,000 (corresponding to 3,100,000,000 Shares of the nominal value DKK 1 each) with Pre-emptive Rights for the Existing Shareholders. The New Shares may be subscribed for at market price or at a discount to the market price determined by the Board of Directors.

The authorisation was adopted at the extraordinary general meeting of the Company held on 2 September 2021.

A resolution to reduce the Company's nominal share capital by a nominal amount of DKK 1,387,026,000 from DKK 1,541,140,000 to DKK 154,114,000 was also adopted at the extraordinary general meeting. The share capital reduction was affected by transfer to a special reserve in accordance with section 188(1)(iii) of the Danish Companies Act. The purpose of capital reduction was to ensure full flexibility in relation to the technical determination of the Subscription Price. The capital reduction was implemented by a proportionate denomination of all Shares. The denomination was reduced by a nominal amount of DKK 9 from DKK 10 nominal value to DKK 1 nominal value. Adoption of the proposed resolution to reduce the capital did not result in any disbursement to the Shareholders.

Under the abovementioned authorisation, the Board of Directors adopted a resolution on 8 November 2021, immediately prior to publication of the Prospectus, to increase the Company's nominal share capital by DKK 1,387,026,000 corresponding to 1,387,026,000 New Shares with a nominal value of DKK 1 each. The capital increase will be affected with Pre-emptive Rights to the Existing Shareholders at the ratio of 9:1. The New Shares will be issued at a Subscription Price of DKK 7.55 per New Share.

The share capital increase related to the Offering will be registered upon completion of the Offering, following which the Company's registered share capital will amount to DKK 1,541,140,000 divided into 1,541,140,000 Shares with a nominal value of DKK 1 each, assuming subscription of all New Shares.

#### **24.4 Negotiability and transferability of Shares**

The Shares, including the New Shares, are negotiable instruments and no restrictions under Danish law will apply to the transferability of the Shares.

The Articles of Association do not contain any transfer restrictions.

See Part II, section 25 – "Terms and conditions of the Offering" for certain restrictions applicable to the Pre-emptive Rights, and the New Shares.

The acquirer of Existing Shares must not exercise rights belonging to a Shareholder unless such acquirer has been registered in the register of Shareholders or has notified and provided proof of the acquisition to the Company. However, this does not apply to the right to dividends or other disbursements nor to the right to new shares in the event of capital increases.

#### **24.5 Tax warnings**

*The following section about Danish taxation is based on applicable Danish laws, rules and regulations as well as published case law, as exist as of the Prospectus Date. Such laws, rules, regulations and case law can be subject to change, possibly on a retroactive basis.*

*The section does not constitute an exhaustive description of the actual or potential tax consequences and is only intended to provide general guidelines and does not deal with all aspects that could be important for potential investors. The section does not constitute tax advice or legal advice. The tax treatment of each investor may depend on the individual investor's specific situation. Potential investors are encouraged to consult their own tax advisers in order to assess*

*specific taxation consequences associated with investment in the Company and how taxation issues might possibly apply locally and abroad, or what the implications involved are, inter alia, possible changes in applicable taxation.*

*Any reference to a "Danish shareholder" or a "foreign shareholder" in the description below refers to the tax residency and not the nationality of such shareholder.*

#### **24.5.1 Taxation of shareholders resident in Denmark for tax purposes**

Individuals who have a permanent place of residence in Denmark and companies registered in Denmark, or foreign registered companies whose effective seat of management is in Denmark, are normally fully liable to pay tax in Denmark. The income of foreign individuals and companies allocated to a Danish permanent establishment will generally also be subject to Danish tax.

Further, the income of foreign companies controlled from Denmark having income mainly of a financial nature may be taxable in Denmark. The income of foreign companies will generally also be subject to Danish tax if a Danish affiliated company has opted for international joint taxation under Danish tax rules.

In case the individual or company is also fully liable to pay tax in another country, specific rules not mentioned in this section may apply.

##### **24.5.1.1 Capital gains taxation**

###### *Individuals' sale of shares*

In 2021, gains from the sale of shares are taxed as share income at a rate of 27% on the first DKK 56,500 (for cohabiting spouses, a total of DKK 113,000) and at a rate of 42% on share income exceeding DKK 56,500 (for cohabiting spouses over DKK 113,000). Such amounts are subject to annual adjustments and include all share income (i.e., all capital gains and dividends derived by the individual or cohabiting spouses, respectively).

Gains and losses on the sale of shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method as a proportionate part of the aggregate purchase price for all the shareholder's shares in the issuing company.

Losses on the sale of shares admitted to trading on a regulated market can only be offset against other share income deriving from shares admitted to trading on a regulated market, (i.e., received dividends and capital gains on the sale of shares admitted to trading on a regulated market). Unused losses will automatically be offset against a cohabiting spouse's share income deriving from shares admitted to trading on a regulated market and additional losses can be carried forward indefinitely and offset against future share income deriving from shares admitted to trading on a regulated market.

Losses on shares admitted to trading on a regulated market may only be set off against gains and dividends on other shares admitted to trading on a regulated market as outlined above if the Danish tax authorities have received certain information relating to the acquisition of the

shares specifying the identity of the shares, the number of shares, the acquisition date and the acquisition price before expiry of the tax return filing deadline for the income year in which the shares were acquired. This information is normally provided to the Danish tax authorities by the depository intermediaries.

*Individuals, gains and losses dividends in respect of investment through an investment savings account (Aktiesparekonto)*

Individuals fully liable to tax in Denmark may invest in shares admitted to trading on a regulated market through an investment savings account.

Gains and losses on shares owned through an investment savings account are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning of the tax year and the market value of the shares at the end of the tax year plus any dividend received on shares owned through the investment savings account. Any annual gain will be subject to 17% taxation, and any loss will be carried forward indefinitely to be offset against future gains on the shares in the investment savings account. In 2021, the account is limited to a deposit of DKK 102,300.

Taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realised. If the shares owned through an investment savings account are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the shares at the beginning of the income year and the realisation sum. If the shares owned through an investment savings account are acquired and realised in the same income year, the taxable income equals the difference between the acquisition sum and the realisation sum. If the shares are acquired in the income year and not realised in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income year.

*Individuals' receipt, exercise, sale and disposal of subscription rights*

The receipt of subscription rights by the existing shareholders in proportion to their shareholdings does not result in a tax liability for the individuals receiving the subscription rights. Further, the exercise of subscription rights for shares is not subject to taxation. For tax purposes, subscription rights received against no consideration are deemed to have been acquired at DKK 0. A sale or disposal of subscription rights is, however, taxable.

Gains on the sale of subscription rights concerning shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price (the share-by-share method). The gains are taxed as share income. As described above, share income is taxed at a rate of 27% on the first DKK 56,500 in 2021 (for cohabiting spouses, a total of DKK 113,000) and at a rate of 42% on share income over DKK 56,500 (for cohabiting spouses over DKK 113,000). Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively. Special taxation schemes may be applicable where subscription rights are granted as salary or a salary element in the course of employment. These schemes are not discussed further in the present document.

### *Individuals' investment of pension funds*

Investors may, subject to certain limitations, place their pension funds in shares, whereby the net gains will be taxed pursuant to the Danish Pension Investment Return Tax Act ("Pensionsafkastbeskatningsloven"). The net gains are calculated using the mark-to-market method as the annual realised and unrealised gains and losses as well as other gains (i.e., dividends). The net gains are taxed at 15.3 %. Taxes are normally collected and settled by the pension provider.

### *Companies' ownership and sale of shares*

Irrespective of the period of ownership, companies as well as foundations encompassed by the Danish Taxation of Foundations Act ("Fondsbeskatningsloven") are liable to tax on capital gains and losses on shares admitted to trading on a regulated market except in case of subsidiary shares and group company shares as described below. The annual realised and unrealised capital gains are taxed pursuant to the mark-to-market principle and are included in the statement of taxable income. Losses calculated pursuant to the mark-to-market principle may be deducted in the statement of taxable income, including in other corporate income. The taxable corporate income is taxed at a rate of 22% (2021).

Certain foundations encompassed by the Danish Taxation of Foundations Act may, subject to certain conditions, elect those gains and losses on shares admitted to trading on a regulated market are taxed in the income year in which the loss or gain is realised, for instance upon sale of the shares. In order for these foundations to be able to apply this realisation principle, it is a condition that the foundation distributes an amount corresponding to the sum of the taxable income before deduction of distributions, provisions consolidations deductions and tax-exempt income.

Capital gains and losses incurred in connection with the sale of subsidiary shares and group company shares are not included in the statement of taxable income of companies. "Subsidiary shares" is generally defined as shares owned by a company holding at least 10% of the share capital of the company issuing the shares. "Group company shares" is generally defined as shares owned by a company, which is jointly taxed (pursuant to section 31 of the Danish Corporation Tax Act) with the company in which shares are owned or which may be internationally jointly taxed (pursuant to section 31 of the Danish Corporation Tax Act) with the company in which shares are owned.

Gains or losses on disposals of subsidiary shares and group company shares are not included in the taxable income of the shareholder.

A further exemption regarding "tax-exempt portfolio shares" exists however, this only encompasses shares not admitted to trading on a regulated market. As the New Shares will be listed in connection with the Offering and the Existing Shares are listed, the rules on tax-exempt portfolio shares are not applicable to the Shares and not discussed in further detail.

For foundations under the Danish Taxation of Foundations Act tax-exempt gains on the sale of shares may be encompassed by the so-called "prioritisation rule" entailing that the foundations are only allowed to deduct distributions and provisions in their taxable income to the extent that

these exceed the tax-exempt forms of income of the foundations. Amongst the tax-exempt forms of income which limit the tax deduction right are fully or partially tax-exempt dividends.

Special rules apply with respect to subsidiary shares and group company shares in order to prevent exemption through certain holding company structures just as other anti-avoidance rules may apply. These rules will not be described in further detail in the present prospectus.

For tax purposes, the transition from subsidiary share status and group company share status to taxable portfolio share status and, vice versa, is treated as a disposal of shares and acquisition at market value at the time of the transition of status. These rules will not be described in further detail.

#### *Companies' receipt, exercise, sale and disposal of subscription rights*

The receipt of subscription rights does not result in a tax liability for a limited liability company receiving the subscription rights. The exercise of subscription rights for shares is not subject to taxation. For tax purposes, subscription rights received against no consideration are deemed to have been acquired at DKK 0.

Gains on subscription rights are taxable at a rate of 22% provided that the investor owns taxable portfolio shares in the Company. In this case taxation is levied according to the mark-to-market principle. If the investor owns subsidiary shares or group shares in a company, gains from the sale of subscription rights are tax exempt.

### **24.5.1.2 Dividend taxation**

#### *Individuals' dividends*

For individuals, dividends are taxed as share income. In the income year 2021, a tax rate of 27% must be paid on the annual share income up to DKK 56,500 (DKK 113,000 for cohabiting spouses at the end of the income year) and 42% of the annual share income exceeding DKK 56,500 (DKK 113,00 for married couples cohabiting at the end of the income year).

The thresholds are adjusted annually and include all share income of the individual/couple concerned during the year. In case of dividend payments, 27% dividend tax is normally withheld by the company.

#### *Individuals' dividends in respect of investment through an investment savings account (Aktiesparekonto)*

Dividends paid to individuals related to shares held through an investment savings account will be taxed according to the same rules as for sale of shares held by individual shareholders investing through an investment savings account.

#### *Companies' dividends*

A company or a foundation holding shares in another company admitted to trading on a regulated market is, as a point of departure, liable for tax on dividends received on the shares. The



dividends are taxable at the corporate income tax rate of 22% (2021), which is withheld by the company distributing the dividends in connection with the payment of dividends.

Foundations under the Danish Taxation of Foundations Act are only taxed on "non-commercial" income, which includes dividends, if the income exceeds DKK 25,000.

Regardless of ownership period, companies may receive tax-exempt dividends in case the shares are subsidiary shares, group company shares or tax-exempt portfolio shares. See the section above regarding the definition of subsidiary shares, group company shares and tax-exempt portfolio shares.

#### **24.5.2 Anti-avoidance rules**

As a general note, Danish tax law has both specific and general anti avoidance rules ("GAAR"), which will not be described in detail. Under the GAAR, arrangements or series of arrangements are disregarded for tax purposes if they are established with the main purpose (or as one of the main purposes) of obtaining a tax advantage that, considering all facts and circumstances, is contrary to the purpose and spirit of tax legislation.

The GAAR applies a substance over form approach, implying that a scheme is disregarded if it is not established on basis of business reasons reflecting economic realities.

Subject to the conditions of the GAAR, an investor might be denied the benefits of the Council Directive 2011/96/EU of 30 November 2011, as amended (the "Parent-Subsidiary Directive") or a tax treaty, and Danish withholding tax of 27% will in such cases be levied.

#### **24.5.3 Danish taxation of investors not fully liable to pay tax in Denmark**

##### **24.5.3.1 Capital gains taxation**

###### *Individuals' sale of shares and subscription rights*

As a main rule, individuals who are not Danish tax residents are not liable to pay tax in Denmark on capital gains on the sale of shares and subscription rights in Danish companies. However, capital gains and losses on shares in Danish companies are taxable in Denmark pursuant to the same rules that apply to individuals resident in Denmark in case the shares are attributable to a permanent establishment in Denmark.

Special rules may apply to distributions in connection with capital reductions or the resale of shares to the issuing company. In case of a resale of shares admitted to trading on a regulated market, the special rules should generally not apply.

###### *Companies' sale of shares and subscription rights*

As a main rule, companies that are not Danish tax residents are not liable to pay tax in Denmark on capital gains on the sale of shares and subscription rights in Danish companies. Capital gains and losses related to shares in Danish companies are taxable in Denmark pursuant to the same

rules that apply to corporate investors resident in Denmark in case the shares are attributable to a permanent establishment in Denmark.

Special rules may apply to distributions in connection with capital reductions or the resale of shares to the issuing company as well as sale of shares to a group company. In case of a resale of shares admitted to trading on a regulated market, the special rules should generally not apply.

#### **24.5.3.2 Withholding taxation on dividends**

##### *Dividends received by individuals*

As a main rule, individuals who are not Danish tax residents are subject to a 27% withholding tax on dividends distributed from Danish companies.

However, it is possible to apply for partial reimbursement of Danish withholding tax if the individual (i) is entitled to a reduction of the Danish tax under a double taxation treaty concluded between Denmark and the tax jurisdiction in which the shareholder is resident; or (ii) holds less than 10% of the Danish company and the competent authority in the state, or in Greenland or in the Faroe Islands, where the person is resident is required to exchange information with the Danish tax authorities according to a double taxation treaty, another international agreement or an administrative agreement of assistance in tax issues. If the shareholder is resident in a country outside the EU in such case, it is also a condition that the shareholder, together with related parties, holds less than 10% of the Danish company.

The amount of the reimbursement in question under scenario (i) depends on the provisions of the specific double taxation treaty in question. In scenario (ii) the final withholding tax rate (which also determines the amount of reimbursement) constitutes 15%.

Regardless of whether the (final) taxation is reduced as described above, the Danish dividend-distributing company is, as a main rule, obliged to withhold 27% dividend tax. Consequently, the said foreign shareholders subject to a reduced taxation need to file an online application to the Danish tax authorities for the repayment of the excess amount of withholding tax.

##### *Dividends received by companies*

##### ***Companies etc.***

As a main rule, companies that are not Danish tax residents are subject to a 27% withholding tax on dividends from Danish companies, unless the recipient is resident in a jurisdiction on the EU list of non-cooperative third countries ("EU Blacklist") in which case the withholding tax rate is 44% (2021). Please refer below.

In general, foreign companies not resident in jurisdictions on the EU Blacklist may, however, always apply for partial reimbursement of Danish withholding tax down to 22% (similar to the Danish corporate income taxation).

Moreover, a shareholder that is a foreign company may apply for reimbursement if the shareholder (i) is entitled to a reduction of tax under the double taxation treaty concluded between

Denmark and the tax jurisdiction in which the shareholder is resident; or (ii) holds less than 10% of the Danish company and the competent authority in the state, or in Greenland or in the Faroe Islands, where the person is resident is required to exchange information with the Danish tax authorities according to a double taxation treaty, another international agreement or an administrative agreement of assistance in tax issues. If the shareholder is resident in a country outside the EU it is also a condition that the shareholder, together with related parties, holds less than 10% of the Danish company.

The amount of the reimbursement in question depends on the provisions of the specific double taxation treaty in question. In scenario (ii) the final withholding tax rate (which also determines the amount of reimbursement) constitutes 15%.

Regardless of whether the (final) taxation is reduced as described above, the Danish dividend-distributing company is, as a main rule, obliged to withhold 27% dividend tax. Consequently, the said foreign shareholders subject to reduced taxation need to file an online application with the Danish tax authorities for the repayment of the excess amount of withholding tax.

A foreign company is exempted from withholding tax on dividends received from a Danish company if the foreign company:

- i) receives dividends on subsidiary shares as defined above and may rely on either reduction or elimination of Danish dividend tax according to the Parent-Subsidiary Directive or according to a double taxation convention between the foreign company's tax jurisdiction and Denmark; or
- ii) receives dividends on group company shares as defined above, which are not shares in subsidiaries, when the company receiving the dividends is resident in a member state in the EU or the EEA, and the taxation of dividends should be waived or reduced according to the provisions of the Parent-Subsidiary Directive or a double taxation convention between the foreign company's tax jurisdiction and Denmark if the shares had qualified as subsidiary shares. Accordingly, dividend tax will not be withheld in those two cases.

### ***Investors in non-cooperative jurisdictions***

Denmark has per 1 July 2021 introduced provisions in respect of certain payments from a Danish taxpayer to a resident in a jurisdiction on EU list of non-cooperative third countries as well as stricter dividend taxation rules in respect of dividends to recipients in such jurisdictions.

Presently, these jurisdictions comprise all jurisdictions on the EU's list of non-cooperative jurisdiction which are: American Samoa, Anguilla, Dominica, Fiji, Guam, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, US Virgin Islands, and Vanuatu.

The sanctions entail a 44% withholding tax on dividends distributed to recipients which are resident or established in these jurisdictions or to recipients which are resident or established outside the jurisdictions but where the ultimate beneficial owner is resident in one of these jurisdictions.

The rules apply to subsidiary shares and group company shares as well as shares held by individuals where the shareholder either holds 25 % of the share capital or has done so within the 5 preceding years.

Companies which are the ultimate beneficial owner of the dividends in question, and which are also established within a jurisdiction which entitles to exemption or relief under the EU Parent-subsidiary directive (Directive 2011/96) or pursuant to a double taxation treaty between Denmark and the jurisdiction of establishment are exempt from taxation under the said rules with respect to subsidiary and group company shares.

#### **24.5.4 Share transfer duty**

No Danish share transfer tax or stamp duties are payable on transfer of the Shares.

#### **24.5.5 Announced amendments of the Danish tax law**

##### *Net-withholding mechanism in relation to dividends*

The Danish Government has announced the intention to adopt a so-called 'net-withholding mechanism' for the handling of dividend withholding taxation of certain non-resident individuals and corporate entities.

The key point in the mechanism is the elimination of the dividend tax reclaims, as dividend payments from Danish listed companies to non-resident shareholders will be distributed on a net basis and no longer on a gross basis.

From a technical perspective, this requires that non-resident shareholders must register with the Danish tax authorities and that the custodian banks are liable for any applicable withholding taxes.

The Danish Tax Authorities will issue a unique taxpayer identification number, which grants a right to receive dividends net of the rate of withholding tax applicable in the relevant tax treaty, e.g., most often 15% (if applicable).

The net withholding scheme has not been formally proposed to the parliament and it is currently uncertain when it will be implemented.

#### **24.5.6 Certain U.S. federal income tax considerations**

The following is a summary of certain material U.S. federal income tax consequences of the receipt, exercise and disposition of Pre-emptive Rights, as well as the acquisition, ownership and disposition of Interim Shares and New Shares by a U.S. Holder (as defined below) pursuant to the Offering. This summary deals only with U.S. Holders that (a) either (i) receive Pre-emptive Rights in this Offering, or (ii) acquire Remaining Shares pursuant to this Offering, and (b) hold Existing Shares and will hold the Pre-emptive Rights, Interim Shares and New Shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code") (generally, property held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the receipt, exercise or disposition of

Pre-emptive Rights or the acquisition, ownership or disposition of Interim Shares or New Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address the effects of the alternative minimum tax or the net investment income tax, or tax considerations applicable to investors that own (directly, indirectly or constructively) 10% or more of the total combined voting power or total value of the stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors holding Existing Shares, Pre-emptive Rights, Interim Shares or New Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, investors holding Existing Shares, Pre-emptive Rights, Interim Shares or New Shares in connection with a trade or business conducted outside the United States, or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Pre-emptive Rights, Interim Shares or New Shares that is, for U.S. federal income tax purposes, (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Pre-emptive Rights, Interim Shares or New Shares will depend on the status of the partner and the activities of the partnership. Prospective investors that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership, exercise, and disposition of Pre-emptive Rights, Interim Shares or New Shares by the partnership.

The summary generally assumes that the Company is not, and will not become, a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes. Although the Company believes that it is not currently a PFIC and does not expect to become a PFIC, the analysis is facts-intensive and the application of the PFIC rules to a qualifying insurance company ("QIC") is subject to uncertainties and will be made by applying principles and methodologies that are in some circumstances unclear. Moreover, the Company's possible status as a PFIC for any taxable year is an annual determination that can be made only after the end of the relevant taxable year and will depend on the composition of its income and assets, the value of its assets and the manner in which it operates its business, which may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences would result for U.S. Holders. See "Taxation of New Shares" – "Passive foreign investment company considerations" below.

The summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as

well as on the income tax treaty between the United States and Denmark (the "Treaty"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION PURPOSES ONLY. ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE PRE-EMPTIVE RIGHTS, INTERIM SHARES AND NEW SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

#### **24.5.6.1 Taxation of Pre-emptive Rights and Interim Shares**

##### *Receipt of Pre-emptive Rights*

The receipt of Pre-emptive Rights is not generally expected to be a taxable event for U.S. federal income tax purposes. The basis and holding period of Pre-emptive Rights should be determined by reference to a U.S. Holder's Existing Shares with respect to which the Pre-emptive Rights were received. If, on the date of receipt, the fair market value of Pre-emptive Rights is less than 15% of the fair market value of the Existing Shares with respect to which Pre-emptive Rights are received, Pre-emptive Rights should be allocated a zero tax basis unless the U.S. Holder affirmatively elects to allocate tax basis between the U.S. Holder's Existing Shares and Pre-emptive Rights received in proportion to their fair market values determined on the date of receipt (and the Pre-emptive Rights do not expire without being sold or exercised as described under "Expiration of Pre-emptive Rights" below). This election must be made in the U.S. Holder's timely filed U.S. federal income tax return for the taxable year in which the Pre-emptive Rights are received, in respect of all Pre-emptive Rights received by the U.S. Holder and is irrevocable.

If, on the date of receipt, the fair market value of Pre-emptive Rights is 15% or more of the fair market value of the Existing Shares with respect to which Pre-emptive Rights are received, then, except as discussed below under "Expiration of Pre-emptive Rights", the basis in the U.S. Holder's Existing Shares with respect to which the Pre-emptive Rights were received should be allocated between the Existing Shares and Pre-emptive Rights received in proportion to their fair market values determined on the date of receipt. The fair market value of the Pre-emptive Rights should be equal to their trading price at the time of the determination.

##### *Sale or other disposition of Pre-emptive Rights*

Subject to the PFIC rules discussed below (see "Taxation of New Shares" – "Passive foreign investment company considerations"), upon a sale or other disposition of Pre-emptive Rights (other than an exercise of the Pre-emptive Rights), a U.S. Holder should generally recognise capital gain or loss equal to the difference, if any, between the amount realised and the U.S. Holder's adjusted tax basis in the Pre-emptive Rights. If the consideration received is not paid in U.S. dollars, the amount realised should generally be the U.S. dollar value of the payment received, as determined on the date of the sale or other disposition. On the settlement date, the U.S. Holder should recognise U.S. source foreign currency gain or loss (taxable as ordinary

income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, if Pre-emptive Rights are treated as traded on an "established securities market" and the U.S. Holder is a cash basis taxpayer (or an accrual basis taxpayer that so elects), the U.S. Holder should determine the U.S. dollar value of the amount received in a foreign currency by translating the amount paid at the spot rate of exchange on the settlement date of the sale and no exchange gain or loss should be recognised at that time. The rules regarding the recognition of foreign currency gains or losses are not entirely clear and U.S. Holders should consult their tax advisers regarding their amount and timing. In general, except as described above with respect to foreign currency gain or loss, any gain or loss will be U.S. source and should generally be long-term capital gain or loss if the U.S. Holder's holding period in the Pre-emptive Rights exceeds one year. A U.S. Holder's holding period in the Pre-emptive Rights should generally include the holding period in the Existing Shares with respect to which the Pre-emptive Rights were distributed. The deductibility of capital losses is subject to limitations.

#### *Expiration of Pre-emptive Rights*

If a U.S. Holder allows the Pre-emptive Rights to expire without selling or exercising them, the holder should not recognise any loss upon the expiration of Pre-emptive Rights, and the holder should not be entitled to allocate any basis to the Pre-emptive Rights.

#### *Exercise of Pre-emptive Rights*

A U.S. Holder should not recognise taxable income upon the receipt of Interim Shares pursuant to the exercise of Pre-emptive Rights. A U.S. Holder's basis in the Interim Shares should equal the sum of the U.S. dollar value of the Subscription Price determined at the spot rate on the date of exercise and the U.S. Holder's basis, if any, in the Pre-emptive Rights exercised to obtain the Interim Shares. A U.S. Holder's holding period in each Interim Share acquired through the exercise of a Pre-emptive Right should generally begin with and include the date of exercise.

#### *Taxation of Interim Shares*

The taxation of Interim Shares prior to conversion into New Shares should be the same as the taxation of New Shares. See "Taxation of New Shares" below. A U.S. Holder should not recognise taxable income upon conversion of Interim Shares into New Shares. A U.S. Holder's basis in each New Share should be equal to its basis in the Interim Share converted into such New Share and the U.S. Holder's holding period in the New Share should include such U.S. Holder's holding period in the Interim Share converted into such New Share.

### **24.5.6.2 Withdrawal of the Offering**

If the Offering is withdrawn, any exercise of Pre-emptive Rights that has already taken place will be cancelled automatically. The Subscription Amount for the Interim Shares will be refunded (less any transaction costs) to their last registered owner. The U.S. federal income tax consequences of a refund of the Subscription Amount to U.S. Holders that own the Interim Shares by virtue of their ownership of the Existing Shares (and the exercise of the corresponding Pre-

emptive Rights) is not entirely clear. If the refund is treated as a redemption of the Interim Shares, it will be taxed either as a disposition of the Interim Shares or as a distribution from the Company, depending on the facts. A redemption will generally be treated as a taxable sale of the Interim Shares if, after the application of certain constructive ownership attribution rules, the redemption (i) results in a "complete redemption" of the U.S. Holder's interest in the Company's equity, (ii) is "substantially disproportionate" with respect to the U.S. Holder, or (iii) is "not essentially equivalent to a dividend" with respect to the U.S. Holder, each within the meaning of Section 302(b) of the Internal Revenue Code of 1986, as amended. In general, a redemption should not be treated as essentially equivalent to a dividend if, with respect to a U.S. Holder, it results in a "meaningful reduction" in the U.S. Holder's equity interest in the Company. The IRS has indicated in published guidance that in the case of a small minority shareholder in a publicly and widely held corporation who exercises no control over corporate affairs, even a small reduction in the shareholder's proportionate equity interest may constitute a "meaningful reduction." U.S. Holders are urged to consult their tax advisors regarding the tax consequences of a withdrawal of the Offering and the receipt of a refund of the Subscription Amount in their particular circumstances.

#### **24.5.6.3 Taxation of New Shares**

##### *Dividends*

Subject to the PFIC rules discussed below (see "Passive foreign investment company considerations"), distributions paid by the Company in respect of New Shares out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Danish withholding tax paid by the Company with respect thereto, should generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits should be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the New Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to New Shares should constitute ordinary dividend income. U.S. Holders should consult their tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Subject to applicable limitations, dividends paid by the Company should generally be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty. A U.S. Holder should be eligible for this reduced rate only if it has held the New Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and is not under an obligation to make related payments with respect to positions in substantially similar or related property. A U.S. Holder will not be able to claim the reduced rate on dividends received from the Company if the Company is treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year. See "Passive foreign investment company considerations" below.

Dividends paid in Danish Kroner should be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S.



Holder, regardless of whether the Danish Kroner are converted into U.S. dollars at that time. If dividends received in DKK are converted into U.S. dollars on the day they are received, the U.S. Holder generally should generally not be required to recognise foreign currency gain or loss in respect of the dividend income.

As discussed in "Taxation" – "Denmark" - Taxation of shareholders residing outside Denmark", under current law payments of dividends by the Company to Shareholders not resident in Denmark are generally subject to Danish withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 15%. For U.S. federal income tax purposes, U.S. Holders should be treated as having received the amount of Danish taxes withheld by the Company, and as then having paid over the withheld taxes to the Danish taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder should generally, as long as U.S. persons do not own 50% or more of the Company's voting power or value, be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or, at the U.S. Holder's election, a deduction in computing its U.S. federal taxable income, for Danish income taxes withheld by the Company. An election to deduct foreign taxes (instead of claiming foreign tax credits) applies to all foreign taxes paid or accrued in the taxable year. U.S. Holders should not be entitled to a credit for any Danish taxes withheld that are refundable pursuant to Danish tax law (see "Taxation" – "Denmark" – "Taxation of shareholders residing outside Denmark"). Also, U.S. Holders that are eligible for benefits under the Treaty should not be entitled to a foreign tax credit for the amount of any Danish taxes withheld in excess of any applicable Treaty rate.

For purposes of the foreign tax credit limitation, foreign source income is classified in one of several "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally should constitute foreign source income in the "passive category income" basket. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

#### *Sale or other disposition*

Subject to the PFIC rules discussed below, upon a sale or other disposition of New Shares, a U.S. Holder generally should recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the New Shares. This capital gain or loss should generally be long-term capital gain or loss if the U.S. Holder's holding period in the New Shares exceeds one year. However, regardless of a non-corporate U.S. Holder's actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under "Dividends" and exceeds 10% of the U.S. Holder's basis in its New Shares. The deductibility of capital losses is subject to limitations. Any gain or loss will generally be U.S. source.

A U.S. Holder's tax basis in New Shares acquired pursuant to the exercise of Pre-emptive Rights should be determined as described under "Taxation of Pre-emptive Rights and Interim Shares". The amount realised on a sale or other disposition of New Shares for an amount in foreign currency should be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder should recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised should be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss should be recognised at that time. The rules regarding the recognition of foreign currency gains or losses are not entirely clear and U.S. Holders should consult their tax advisers regarding their amount and timing. See "Passive foreign investment company considerations" below for a discussion regarding the rules that will apply to a sale or other disposition of New Shares if the Company is or becomes a PFIC for U.S. federal income tax purposes.

#### *Passive foreign investment company considerations*

A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the value of its assets (generally determined based on an average of the quarterly values of the assets during a taxable year) consists of assets that produce passive income or are held for the production of passive income. Although passive income generally includes dividends, interest, rents, royalties and gains on assets that generate such income, special rules allow a qualifying insurance company ("QIC") to treat as non-passive certain income derived by it in the active conduct of an insurance business. To qualify for these rules, a non-U.S. corporation generally must satisfy a number of requirements regarding its applicable insurance liabilities and certain insurance business functions (such as underwriting, investment, contract and claims management, and sales activities). Complex rules also apply to determine the extent to which the income and assets of a QIC and its subsidiaries will be treated as non-passive. Many of the special rules applicable to QICs were only recently published in final form or are in proposed form, have not yet taken effect, and are subject to further change. As a result, there is limited authoritative guidance regarding the application of these QIC rules to insurance companies. Although the Company believes that it currently meets the requirements to qualify as a QIC and does not expect to be a PFIC for the current taxable year, the analysis is facts-intensive and the application of the PFIC rules to QICs is subject to uncertainties and will be made by applying principles and methodologies that are in some circumstances unclear. Moreover, the Company's possible status as a PFIC for any taxable year is an annual determination that can be made only after the end of the relevant taxable year and will depend on the composition of its income and assets, the value of its assets and the manner in which it operates its business, which may be subject to change. Accordingly, no assurance can be provided that the Company is not a PFIC or will not become a PFIC.

If the Company is a PFIC in any year during which a U.S. Holder owns New Shares (and under proposed Treasury regulations that have a retroactive effective date, Pre-emptive Rights), and, in the case of the New Shares, the U.S. Holder has not made a mark to market election (as described below), the U.S. Holder will generally be subject to special rules (regardless of whether the Company continues to be a PFIC) with respect to (i) any "excess distribution" (generally, any distributions received by the U.S. Holder on the New Shares in a taxable year, other than the taxable year in which the U.S. Holder's holding period in the New Shares begins, that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the New Shares) and (ii) any gain realised on the sale or other disposition of New Shares (and under the proposed Treasury regulations, the Pre-emptive Rights). Under these rules (a) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company is a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If the Company is a PFIC, a U.S. Holder of New Shares should generally be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs, even if they do not receive proceeds from such distributions or dispositions. Additionally, dividends paid by the Company will not be eligible for the special reduced rate of tax described above under "—Dividends". If the Company ceases to be a PFIC, a U.S. Holder may make an election (a "deemed sale election") to be treated for U.S. federal income tax purposes as having sold its New Shares on the last day of the last taxable year of the Company during which it was a PFIC. A U.S. Holder that makes a deemed sale election should cease to be treated as owning stock in a PFIC. However, gain recognised by a U.S. Holder as a result of making the deemed sale election should be subject to the rules described above.

U.S. Holders can avoid the interest charge by making a mark to market election with respect to the New Shares, provided that the New Shares are "marketable". New Shares should be marketable if they are regularly traded on certain U.S. stock exchanges, or on a foreign stock exchange that meets certain conditions. For these purposes, the New Shares should be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. In addition, a mark to market election generally cannot be made for equity interests in any lower-tier PFICs the Company owns, unless shares of such lower-tier PFIC are themselves "marketable". Each U.S. Holder should consult its tax adviser as to the whether a mark to market election is available or advisable with respect to the New Shares in its particular circumstances.

A U.S. Holder that makes a mark to market election should include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the New Shares at the close of the taxable year over the U.S. Holder's adjusted basis in the New Shares. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in the New Shares over the fair market value of the New Shares, at the close of

the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other disposition of the New Shares would be treated as ordinary income, and any losses incurred on a sale or other disposition of the New Shares would be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election cannot be revoked without the consent of the Internal Revenue Service ("IRS") unless the New Shares cease to be marketable. If the Company is a PFIC for any year in which the U.S. Holder owns the New Shares but before a mark to market election is made, the general PFIC rules described above (including the interest charges) should apply to any mark to market gain recognised in the year the election is made.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a "qualified electing fund" ("QEF") election to be taxed currently on its share of the PFIC's undistributed income. The Company does not, however, expect to provide to U.S. Holders the information that would be necessary in order for a U.S. Holder to make a QEF election.

A U.S. Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which the Company is a PFIC generally will be required to file IRS Form 8621. The failure to file such form when required could result in substantial penalties.

#### *Backup withholding and information reporting*

Dividends and other proceeds with respect to New Shares paid by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report certain amounts required to be shown on its U.S. federal income tax returns. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder should be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

#### *Transfer reporting requirements*

A U.S. Holder that subscribes for New Shares may be required to file Form 926 (or similar form) with the IRS if the purchase, when aggregated with all transfers of cash or other property made by the U.S. Holder (or any related person) to the Company within the preceding 12-month period, exceeds U.S.\$100,000 (or its equivalent). A U.S. Holder who fails to file any such required form could be required to pay a penalty equal to 10% of the gross amount paid for the New Shares (subject to a maximum penalty of U.S.\$100,000, except in cases of intentional disregard). U.S. Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the New Shares.

### *Foreign financial asset reporting*

Certain U.S. Holders (such as individuals and closely held entities) are subject to reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds U.S.\$50,000 at the end of the taxable year or U.S.\$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The New Shares are expected to constitute foreign financial assets subject to these requirements unless the New Shares are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). Such reporting requirement is satisfied by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets). U.S. Holders should consult their tax advisors regarding the application of this legislation.

## **24.6 Rights attaching to the Pre-emptive Rights and the New Shares**

### **24.6.1 Pre-emptive Rights**

1 (one) Pre-emptive Rights carry the right to subscribe for 1 (one) New Share.

If any of the Pre-emptive Rights are not exercised during the Subscription Period, those Pre-emptive Rights will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to any kind of compensation. See "Risk Factors" for further details on the risks relating to the Offering. If the holder does not wish to exercise the Pre-emptive Rights to subscribe for New Shares, the holder can sell the Pre-emptive Rights during the Rights Trading Period.

The exercise of Pre-emptive Rights may be restricted for Existing Shareholders resident in certain jurisdictions, including but not limited to the United States, unless the Company decides to comply with applicable local requirements. Consequently, Existing Shareholders resident in the United States and certain other holders of Existing Shares may not be able to exercise their Pre-emptive Rights or participate in a rights offer, as the case may be, unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. See section 25.10 – "Terms and conditions of the Offering - Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering" for further details on restrictions applicable to the Offering.

### **24.6.2 New Shares**

#### **24.6.2.1 Dividend rights**

The New Shares will, when fully paid up and registered with the Danish Business Authority, have the same rights as and rank *pari passu* with the Existing Shares, including with respect to eligibility for any dividends after the completion of the Offering. See "Risk Factors" for further details on the risks relating to the Offering. Consequently, the New Shares are eligible for dividends as of the date of registration with the Danish Business Authority, which is expected to take place on 2 December 2021 and in any event before listing of the New Shares.

The Company has defined a target for ordinary dividend corresponding to a payout ratio of at least 70% of the profit for the year after tax. However, such distribution will be subject to the

Management's assessment of any increased capital requirement over the following years, either due to planned activities, special risks or a shortfall in earnings.

Any dividends will be paid in DKK to the Shareholder's account with VP Securities. No restrictions on dividends or special procedures apply to holders of New Shares who are not residing in Denmark. Dividend withholding tax may be withheld by the Company in accordance with applicable Danish law.

Dividends which have not been claimed by Shareholders within three years from the time they are payable will in accordance with applicable Danish law be forfeited and will accrue to the Company.

See also Part I, section 18 – "Dividends and dividend policy" for further information on dividends.

#### **24.6.2.2 Voting rights**

Each New Share will carry 1 vote per nominal value of DKK 1.

#### **24.6.3 Dissolution and liquidation**

In case of the dissolution or winding-up of the Company, the New Shares will be entitled to a proportionate part of the Company's assets after payment of the Company's creditors.

#### **24.6.4 Pre-emptive Rights**

Under Danish law, shareholders generally have pre-emptive rights if the general meeting of a company resolves to increase the share capital by cash payment. However, the pre-emptive rights of the shareholders may be derogated from by a majority comprising at least two-third of the votes cast and of the share capital represented at the general meeting if the share capital increase is made at market price.

According to the Articles of Association, the Board of Directors is authorised to increase the Company's share capital in one or more issues with and without pre-emptive rights to the Shareholders.

#### **24.6.5 Redemption and conversion rights**

Except for as provided for in the Danish Companies Act, no shareholder is under an obligation to have his or her Shares redeemed in whole or in part by the Company or by any third-party, and none of the Shares carry any redemption or conversion rights or any other special rights.

#### **24.7 Danish legislation concerning takeovers**

Applicable rules on mandatory takeover bids are set out in part 8 of the Danish Capital Markets Act and the Executive Order no. 636 of 15 May 2020 on takeover bids issued pursuant thereto.

If a shareholding is transferred, directly or indirectly, to an acquirer or to persons acting in concert with such acquirer (the concert parties), the acquirer and the concert parties must enable

all shareholders of the company the option to dispose of their shares on identical terms if such transfer involves the acquirer or the concert parties obtaining control.

Control exists if the acquirer or persons acting in concert with the acquirer, directly or indirectly, holds more than one-third of the voting rights in a company, unless it can be clearly proven in special cases that such ownership does not constitute control. An acquirer or persons acting in concert with the acquirer who does not hold more than one-third of the voting rights in a company nevertheless has control over a company when the acquirer or the persons acting in concert with the acquirer has:

- the right to control more than one-third of the voting rights in the issuer according to an agreement with other investors; or
- the right to appoint or dismiss a majority of the members of the central management body.

Voting rights attached to treasury shares must be included in the calculation of voting rights.

If special conditions apply, the Danish FSA may grant an exemption from the obligation to make a mandatory offer.

#### **24.7.1 Public takeover by third parties in respect of the Company's Shares**

No public takeover bids have been made by any third-party in respect of the Existing Shares during the past or the current financial year.

The Articles of Association do not contain provisions that are likely to have the effect of delaying, deferring or preventing a change in the control of the Company.

#### **24.8 Squeeze out rules**

Where a shareholder holds more than 90% of the shares in a company and a corresponding proportion of the voting rights, such shareholder may, pursuant to section 70 of the Danish Companies Act, decide that the other shareholders have their shares redeemed by that shareholder. In this case, the other shareholders must be requested, under the rules governing notices for general meetings, to transfer their shares to the shareholder within four weeks. If the redemption price cannot be agreed upon, the redemption price must be determined by an independent expert appointed by the court in the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act. Specific requirements apply to the contents of the notice to the other shareholders regarding the redemption. If not all minority shareholders have transferred their shares to the acquiring shareholder within the four-week deadline, the acquiring shareholder shall, as soon as possible, make effective payment via VP Securities to the minority shareholders.

Further, where a shareholder holds more than 90% of the shares in a company and a corresponding proportion of the voting rights, the other shareholders may require such shareholder to acquire their shares pursuant to section 73 of the Danish Companies Act. If the redemption price cannot be agreed upon, the redemption price is determined by an independent expert appointed by the court in the jurisdiction of the company's registered office in accordance with

the provisions of the Danish Companies Act. The redemption offer is, inter alia, required to be communicated through the Danish Business Authority's IT system at the time of notification of the four-week period.

Redemption of the remaining shareholders will be carried out at the time of the expiry of the four-week period even if the redemption price remains subject to final determination by an expert, provided that funds representing the redemption price have been deposited by the majority shareholder.

## **24.9 Major shareholdings**

Pursuant to Section 38 of the Danish Capital Markets Act, a shareholder of a company whose shares or financial instruments are admitted to trading on a regulated market within the EU is required to notify the listed company and the Danish FSA as soon as possible if the shareholder's shareholding directly or indirectly represents 5% or more of the voting rights or the share capital, and if the shareholders' shareholding directly or indirectly entails that the 5%, 10%, 15%, 20%, 25%, 50% or 90% thresholds and the thresholds of one-third or two-thirds of the voting rights or the share capital are reached or no longer reached.

The notification must comply with the requirements for the contents thereof set out in sections 15 and 16 of the Danish Executive Order no. 1172 of 31 October 2017 on Major Shareholders, including the identity of the shareholder and the date when the threshold is reached or no longer reached. Failure to comply with the disclosure requirements is punishable by a fine. When the Company has received such notification, it must publish the contents of such notification no later than within three trading days.

Further, the general duty of notification under the Danish Capital Markets Act applies as well as special duties of notification in respect of the Company's insider group pursuant to the Market Abuse Regulation.



## **25. TERMS AND CONDITIONS OF THE OFFERING**

### **25.1 Subscription ratio, Subscription Price and allocation of Pre-emptive Rights including action required to apply for the Offering, etc.**

The Offering consists of (i) a public offering in Denmark and (ii) private placements in certain other jurisdictions, including to QIBs in the United States pursuant to an exemption from or transaction not subject to, the registration requirements of the U.S. Securities Act, and in off-shore transactions outside the United States within the meaning of and in accordance with Regulation S.

The Company is offering 1,387,026,000 New Shares with a nominal value of DKK 1 at the Subscription Price and with Pre-emptive Rights for the Existing Shareholders.

Each holder of Existing Shares registered with VP Securities on 12 November 2021 at 5:59 p.m. CET as a shareholder in the Company will be allocated 9 (nine) Pre-emptive Rights for each Existing Share. For each Pre-emptive Right, the holder is entitled to subscribe for one New Share of a nominal value of DKK 1 at a Subscription Price of DKK 7.55 per New Share.

The Rights Trading Period commences on 11 November 2021 at 9:00 a.m. CET and closes on 24 November 2021 at 5:00 p.m. CET. The Subscription Period for New Shares commences 15 November 2021 at 9:00 a.m. CET and closes on 26 November 2021 at 5:00 p.m. CET. Any Pre-emptive Rights not exercised during the Subscription Period will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to compensation. Once a holder of Pre-emptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder.

The Pre-emptive Rights and the New Shares have been approved for trading and official listing on Nasdaq Copenhagen to the effect that they can be traded on Nasdaq Copenhagen during the Rights Trading Period in the interim ISIN code DK0061678026. After registration of the New Shares with the Danish Business Authority, the New Shares are expected to be admitted to trading and official listing on Nasdaq Copenhagen. For further information see Part II, section 26 – "Admission to trading and official listing".

The Pre-emptive Rights, the Interim Shares and the New Shares, following automatic conversion from Interim Shares, will be delivered in book-entry form through allocation to accounts with VP Securities. The New Shares have been accepted for clearance through Euroclear and Clearstream.

Completion of the Offering and registration of the New Shares with the Danish Business Authority is expected to take place on 2 December 2021.

The New Shares shall be fully paid up, issued in the name of the holder and recorded in the holder's name in the Company's register of shareholders through the holder's custodian bank.

The Company's register of shareholders is kept by VP Securities.

Existing Shares traded from 11 November 2021 at 9:00 a.m CET will be traded without Pre-emptive Rights, provided that the Existing Shares are traded with customary two-day settlement.

The Association, which as at the Prospectus Date holds Existing Shares corresponding to approximately 44.6% of the Company's share capital, is entitled to 618,446,556 Pre-emptive Rights allowing the Association to subscribe for 618,446,556 New Shares through the exercise of Pre-emptive Rights. Reference is made to Part II, section 25.18.5 -"Terms and conditions of the Offering" –"Placing and underwriting" – "Advance undertakings" for a description of the Association's subscription of New Share in connection with the Offering.

As at the Prospectus Date, the Company holds a total of 303,064 treasury shares, equivalent to 0.2% of the share capital, which entitles the Company to receive 2,727,576 Pre-emptive Rights. However, as the Company is not permitted under Danish law to exercise any Pre-emptive Rights, the Company intends to sell all Pre-emptive Rights received in connection with the Offering.

The Interim Shares will be issued under the temporary ISIN code DK006167810.

Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen has conditionally approved the New Shares for admission to trading and official listing. Admission to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021. As soon as possible thereafter, the interim ISIN code of the Interim Shares, DK0061678109, will be merged with the ISIN code of the Existing Shares DK0015250344, and the Interim Shares will automatically be converted into New Shares, expected to take place on 7 December 2021.

Upon admission to trading and official listing of the New Shares, the New Shares will be accepted for clearance through Euroclear and Clearstream.

## **25.2 Expected timetable of the Offering**

Reference is made to Part I, section 2.5 – "Important notice and expected timetable of principal events - Expected timetable of principal events".

## **25.3 Subscription Period**

The Subscription Period of the New Shares will commence on 15 November 2021 at 9:00 a.m. CET and will close on 26 November 2021 at 5:00 p.m. CET. For a description of the procedure of exercise and subscription, see Part II, section 25.9 - "Terms and conditions of the Offering - Procedure for the exercise of and trading in Pre-emptive Rights".

## **25.4 Reduction of subscription**

Reduction of subscription is not applicable in connection with the Offering.

## **25.5 Minimum and maximum subscription amounts**

In connection with the Offering, the 1 (one) minimum number of New Shares that a holder of Pre-emptive Rights may subscribe for will be New Share, requiring the exercise of 1 (one) Pre-emptive Right and the payment of the Subscription Price.

The number of New Shares that a holder of Pre-emptive Rights may subscribe for is not capped. However, the number is limited to the number of New Shares that may be subscribed for through the exercise of the Pre-emptive Rights held or acquired.

## **25.6 Subscription for Remaining Shares**

Subject to the satisfaction of certain conditions in the Underwriting Agreement, the Managers have agreed with the Company to subscribe for any Remaining Shares. The Managers will not subscribe for Remaining Shares by exercising unexercised Pre-emptive Rights (which will have lapsed). Such Remaining Shares will be subscribed for at the Subscription Price. The New Shares will thus be fully subscribed for, subject to the satisfaction of certain conditions in the Underwriting Agreement.

The Managers may sell any Remaining Shares in offshore transactions within the meaning of and in accordance with Regulation S under the U.S. Securities Act or to persons reasonably believed to be QIBs in the United States as defined in Rule 144A under the U.S. Securities Act pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act or other applicable securities laws.

Any offer or sale of Remaining Shares by the Managers in the United States will be made only by one or more broker-dealers registered as such under the Exchange Act. Nordea will not participate in the solicitation, offer or sale of any shares or other securities and will not be involved in any activities within or directed in the United States (and no such activities may be conducted on its behalf), including, for the avoidance of doubt, any contacts with existing shareholders in the United States.

The Managers may, from time to time, acquire and sell Pre-emptive Rights, exercise such Pre-emptive Rights as well as buy and sell New Shares and/or the Existing Shares. See Part I, section 21.2 - "Material – "Summary of material contracts relating to the Offering for a more detailed description of the Underwriting Agreement.

## **25.7 Payments and delivery**

Upon exercise of the Pre-emptive Rights, the holder must pay an amount equal to the Subscription Price multiplied by the number of New Shares subscribed for.

Payment for the New Shares shall be made in DKK and shall be made upon subscription against registration of the New Shares in the transferee's account with VP Securities not later than 26 November 2021 at 5:00 p.m. Holders of Pre-emptive Rights shall adhere to the account agreement with their own Danish custodian institution or other financial intermediary, through which they hold Existing Shares.

Financial intermediaries through which a holder holds Pre-emptive Rights may require payment on an earlier date.

## **25.8 Announcements of the results of the Offering**

The results of the Offering will be communicated in a company announcement expected to be published through Nasdaq Copenhagen no later than two trading days after the expiry of the Subscription Period and therefore expected to be announced on 30 November 2021.

## **25.9 Procedure for the exercise of and trading in Pre-emptive Rights**

The Pre-emptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061678026 and will be traded in the interim ISIN code under the symbol "AMBLT".

Holders of Pre-emptive Rights wishing to subscribe for New Shares must do so through their own custodian institution, in accordance with the rules of such institution. The deadline for notification of exercise depends on the holder's agreement with, and the rules and procedures of, the relevant custodian institution or other financial intermediary and may be earlier than the end of the Subscription Period. Once a holder has exercised its Pre-emptive Rights, the exercise may not be revoked or modified.

During the Rights Trading Period, holders of Pre-emptive Rights who do not wish to exercise their Pre-emptive Rights to subscribe for New Shares may sell their Pre-emptive Rights on Nasdaq Copenhagen or elsewhere, and a purchaser may use the acquired Pre-emptive Rights to subscribe for New Shares. Holders wishing to sell their Pre-emptive Rights should instruct their custodian institution or other financial intermediary accordingly.

Any holders of Pre-emptive Rights that exercise any of their Pre-emptive Rights shall be deemed to have represented that they have complied with all applicable laws. Custodian banks exercising Pre-emptive Rights on behalf of beneficial holders shall be deemed to have represented that they have complied with the offering procedures set forth in this Prospectus.

Neither the Pre-emptive Rights, the Interim Shares nor the New Shares have been registered under the U.S. Securities Act.

Upon exercise of Pre-emptive Rights and payment of the Subscription Price, the Interim Shares will be delivered through VP Securities by being recorded on subscribers for New Shares' accounts with VP Securities. The Interim Shares will be issued under an interim ISIN code DK0061678109. The Interim Shares will not be admitted to trading and official listing on Nasdaq Copenhagen. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares.

Upon expiry of the Subscription Period, any Pre-emptive Rights not exercised will lapse without value, and the holders of lapsed Pre-emptive Rights will not be entitled to any compensation.

Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen

has conditionally approved the New Shares for admission to trading and official listing. Admittance to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021. As soon as possible thereafter, the interim ISIN code of the Interim Shares, DK0061678109, will be merged with the ISIN code of the Existing Shares DK0015250344, and the Interim Shares will automatically be converted into New Shares, expected to take place on 7 December 2021.

Exercise instructions, without the required supporting documentation, sent from a person located in the United States or instructions postmarked in the United States or such other jurisdiction in which it would not be permissible to subscribe for the New Shares will be deemed to be invalid, and no New Shares or Interim Shares will be credited to institutions with addresses inside the United States or such other jurisdictions in which it would not be permissible to subscribe for the New Shares without the required supporting documentation. The Company and the Managers reserve the right to reject any exercise of Pre-emptive Rights in the name of any person who, without providing required supporting documentation such as the investor letter applicable to persons located in the United States, (i) provides for acceptance or delivery of New Shares or Interim Shares to a securities deposit account held by a person registered with an address in the United States or such other jurisdiction in which it would not be permissible to subscribe for the New Shares, (ii) is unable to represent or warrant or is otherwise unable to show or prove that such person is not in the United States or such other jurisdiction in which it would not be permissible to subscribe for the New Shares, (iii) is acting for persons in the United States or such other jurisdiction in which it would not be permissible to subscribe for the New Shares other than on a discretionary basis, or (iv) appears to the Company or its agents to have executed its exercise instructions or certifications in, or dispatched them from, the United States or such other jurisdiction in which it would not be permissible to subscribe for the New Shares. See also Part II, section 25.10 – "Terms and conditions of the Offering - Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering".

Any holders who exercise their Pre-emptive Rights will be deemed to have represented that they have complied with all applicable legislation. Custodian institutions exercising Pre-emptive Rights on behalf of beneficial owners will be deemed to have represented that they have complied with procedures set out in this Prospectus. Neither the Pre-emptive Rights, the Interim Shares nor the New Shares have been registered under the U.S. Securities Act or any state securities legislation in the United States. The Subscription Period will close on 26 November at 5:00 p.m. CET. See also Part II, section 25.10 – "Terms and conditions of the Offering - Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering" for further details.

The Managers may from time to time, acquire and sell Pre-emptive Rights, exercise such Pre-emptive Rights as well as buy and sell or subscribe for New Shares and Existing Shares.

## **25.10 Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering**

### **25.10.1 General**

The Offering consists of (i) a public offering in Denmark and (ii) private placements in certain other jurisdictions, including to QIBs in the United States pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and in offshore transactions outside the United States within the meaning of and in accordance with Regulation S.

The distribution of this Prospectus and the Offering is restricted by law in certain jurisdictions, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Neither the Company nor the Joint Global Coordinators and Joint Bookrunners accept any legal liability for any violation of these restrictions by any person irrespective of whether such person is an Existing Shareholder or a potential purchaser of Pre-emptive Rights, the Interim Shares and/or subscriber of the New Shares.

This Prospectus does not constitute an offer of or an invitation to purchase any Pre-emptive Rights, the Interim Shares or to subscribe for any New Shares in any jurisdiction in which such offer or invitation would be unlawful.

Further, the Pre-emptive Rights and the New Shares are subject to transfer and selling restrictions in certain jurisdictions. Potential purchases of Pre-emptive Rights, the Interim Shares and/or subscribers of the New Shares must comply with all applicable legislation and regulations in countries or territories in which they acquire, subscribe for, offer or sell Pre-emptive Rights, the Interim Shares and/or the New Shares or possess or distribute the Prospectus and must obtain consent, approval or permission, as required, for the acquisition of the New Shares. Persons in whose possession this Prospectus may come are required by the Company and the Joint Global Coordinators and Joint Bookrunners to inform themselves about such restrictions and to observe such restrictions.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Pre-emptive Rights, due to restrictions under applicable laws and regulations in jurisdictions outside Denmark, the Company expects that certain Existing Shareholders and investors residing in the United States and other jurisdictions outside Denmark may not have this Prospectus distributed to them and may not be able to exercise the Pre-emptive Rights or subscribe for the New Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

The Offering is fully underwritten by the Managers. Subject to the satisfaction of certain conditions in the Underwriting Agreement, any Remaining Shares that have not been subscribed for by holders of the Pre-emptive Rights will be subscribed for by the Managers. The Managers may sell any Remaining Shares that have not been subscribed for by holders of Pre-emptive

Rights (i) outside the United States in offshore transactions within the meaning of and in accordance with Regulation S under the U.S. Securities Act or (ii) within the United States to persons reasonably believed to be QIBs as defined in Rule 144A under the U.S. Securities Act in reliance on an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act or other applicable securities laws.

Any offer or sale of Remaining Shares by the Managers in the United States will be made only by one or more broker-dealers registered as such under the Exchange Act. Nordea will not participate in the solicitation, offer or sale of any shares or other securities and will not be involved in any activities within or directed in the United States (and no such activities may be conducted on its behalf), including, for the avoidance of doubt, any contacts with existing shareholders in the United States.

#### **25.10.2 Restrictions on offers and sales in the United States**

This Prospectus is intended for use only in connection with offers and sales of Pre-emptive Rights, the Interim Shares and the New Shares outside the United States and is not to be sent or given to any person with a registered address, or who is resident or located, in the United States.

The Offering has not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Pre-emptive Rights, the Interim Shares and the New Shares have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Pre-emptive Rights, the Interim Shares and the New Shares may not be offered, sold, resold, transferred, delivered, distributed, subscribed for, purchased, pledged or exercised, directly or indirectly, within, into or in the United States or to or for the account or benefit of persons in the United States, except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. No public offering of the Pre-emptive Rights, the Interim Shares or the New Shares is being made in the United States.

Any offering of the Pre-emptive Rights, the Interim Shares and the New Shares made in the United States will only be made by the Company pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act to a limited number of investors that (i) are QIBs and (ii) have executed and delivered an investor representation letter addressed to the Company (in the form provided by the Company). Consequently, in the United States, Existing Shareholders and investors who are not QIBs cannot participate in the offer, subscribe for New Shares or exercise Pre-emptive Rights.

Any person within the United States that purchases New Shares must meet certain requirements and will be deemed to have represented and agreed as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

- (i) It is a QIB and, if it is subscribing for or acquiring the Pre-emptive Rights, Interim Shares and/or New Shares as a fiduciary or agent for one or more investor accounts: (a) each such account is a QIB; (b) it has investment discretion with respect to each such account; and (c) it has full power and authority to make the representations, warranties, agreements and acknowledgements in this document on behalf of each such account.
- (ii) It understands and acknowledges (and each other QIB, if any, for whose account it is acquiring Pre-emptive Rights, Interim Shares or New Shares has been advised, understands and has acknowledged) that none of the Pre-emptive Rights, the Interim Shares or the New Shares have been or will be registered under the U.S. Securities Act or any securities laws of any state or other jurisdiction of the United States, that they are being offered in the United States only to QIBs in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, and that they may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered (collectively, “transferred”), directly or indirectly, in the United States, other than in accordance with (iv) below and that the New Shares will be acquired by it in a transaction that is exempt from the registration requirements of the U.S. Securities Act and that the New Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act.
- (iii) As a purchaser in a private placement of securities that have not been registered under the U.S. Securities Act, it may only subscribe for or acquire Pre-emptive Rights, Interim Shares or New Shares, for its own account, or for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgements, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution of any such Pre-emptive Rights, Interim Shares or New Shares.
- (iv) It understands and agrees that, although offers and sales in the United States of the Pre-emptive Rights and New Shares are being made only to QIBs, and that the Pre-emptive Rights may be exercised only by QIBs in the United States, if in the future it or any such other QIB for which it is acting, as described in (iii) above, or any other fiduciary or agent representing such investor decide to offer, sell, deliver, pledge, hypothecate or otherwise transfer any Pre-emptive Rights or New Shares, it and such other person will do so only (1) pursuant to an effective registration statement under the U.S. Securities Act, (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Pre-emptive Rights or New Shares into the United States), (3) to another QIB, or (4) pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act provided by Rule 144 under the U.S. Securities Act or another exemption from the registration requirements of the U.S. Securities Act and, in each case, in accordance with any applicable securities laws of any state, province or territory of the United States and of any other jurisdiction. It understands (and each beneficial owner for which it is acting, if any,



has been advised and understands) that no representation can be made as to the availability of the exemption provided by Rule 144 or Rule 144A under the U.S. Securities Act for the resale of New Shares.

- (v) To the extent it is an existing shareholder of the Company, it is the beneficial holder of or exercises full investment discretion with respect to the Existing Shares held by it, as applicable.
- (vi) It is aware and understands that an investment in New Shares involves a considerable degree of risk and no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of any such investment.
- (vii) It acknowledges that it has: (i) conducted its own investigation and appraisal with respect to the New Shares and the Company; and (ii) received and reviewed all information, including a copy of this document, that it believes is necessary or appropriate in connection with its investment decision to purchase the New Shares as contemplated hereby on the basis of its own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of the Company, the Pre-emptive Rights and the New Shares. It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the Pre-emptive Rights or the New Shares. It acknowledges that neither the Company nor any person representing the Company has made any representation to it with respect to the Company or the offering or sale or exercise of any Pre-emptive Rights or New Shares other than as set forth in this document, upon which it will review in making its investment decision with respect to the Pre-emptive Rights and such New Shares.
- (viii) It acknowledges that the Company is not a reporting company under the Exchange Act.
- (ix) It acknowledges that none of the Company, any of its affiliates nor any other person (including any of the Managers or any of their respective affiliates) has made any representations, express or implied, to it with respect to the Company, the Offering, the New Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Offering or the New Shares, other than (in the case of the Company and its affiliates only) the information contained or incorporated by reference in this document. It acknowledges and agrees that it will not hold the Managers or any of their affiliates or any person acting on their behalf responsible or liable for any misstatements in, or omissions from, any publicly available information relating to the Company. It acknowledges that it has not relied on any investigation that the Managers or any person acting on their behalf may or may not have conducted, nor any information contained in any research reports prepared by the Managers or any of their respective affiliates, and it has relied solely on its own judgement, examination and due diligence of the Company, and the terms of the transaction, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Managers or any of their affiliates. Further, it waives any and all claims, actions, liabilities, damages or demands it may have against the Managers in respect of their engagement with the Company. It understands that this document has been prepared in accordance with Danish legislation and regulations in compliance with the requirements set out in the Prospectus Regulation including delegated regulations, including Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019, and the Danish Capital Markets

Act and Nasdaq Issuer Rules, which differ from US disclosure requirements. In particular, but without limitation, the financial information contained in or incorporated by reference into this document has been prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies, and thus may not be comparable with financial statements of US companies prepared in accordance with US GAAP.

- (x) It acknowledges that this document or any other presentational or other materials concerning the Offering (including electronic copies thereof) shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted within the United States. As such, it agrees that it has held and will hold this document or any other presentational or other materials concerning the Offering (including electronic copies thereof) in confidence, it being understood that the document is solely for its use, and that it will not duplicate, distribute, forward, transfer or otherwise transmit this document or any other presentational or other materials concerning the Offering (including electronic copies thereof) to any person within the United States (other than a QIB on behalf of which it acts), and it has not duplicated, distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than a QIB on behalf of which it acts).
- (xi) It, and each other QIB, if any, for whose account it may subscribe for or acquire Pre-emptive Rights, Interim Shares or New Shares, in the normal course of business, invests in or purchases securities similar to the Pre-emptive Rights, the Interim Shares and the New Shares, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing or subscribing for any of the Pre-emptive Rights, the Interim Shares and such New Shares, fully understands the limitations on ownership and transfer and restriction on sales of the Pre-emptive Rights, the Interim Shares and such New Shares and is aware that it must bear the economic risk of an investment in its Pre-emptive Rights, Interim Shares or New Shares for an indefinite period of time and is able to afford the complete loss of such investment and bear such risk for an indefinite period.
- (xii) It acknowledges that its purchase of any New Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this document. It agrees that it: (a) has no need for liquidity with respect to its investment in the New Shares; and (b) has no reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the New Shares.
- (xiii) It acknowledges and agrees that it is not subscribing for or acquiring the New Shares as a result of any “general solicitation” or “general advertising” (as those terms are defined in Regulation D under the U.S. Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television or as a result of a seminar or meeting whose attendees have been invited by “general solicitation” or “general advertising” or “directed selling efforts” (as that term is defined in Regulation S).
- (xiv) It acknowledges that the New Shares will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and agrees that for so long as such New Shares are “restricted securities” (as so defined), they may not be deposited into any unrestricted depositary facility established or maintained by any depositary bank, and

that such New Shares will not settle or trade through the facilities of The Depository Trust Company or any other US exchange or clearing system.

- (xv) It acknowledges that, to the extent the New Shares are delivered in certificated form, the certificate delivered in respect of the New Shares will bear a legend substantially to the following effect for so long as the securities are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “U.S. SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER PROVINCE OR TERRITORY OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT (A) TO THE COMPANY; OR (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT; OR (C) TO A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN AND IN COMPLIANCE WITH RULE 144A; OR (D) PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL (AND OF SUCH OTHER EVIDENCE THAT THE COMPANY MAY REASONABLY REQUIRE) THAT SUCH TRANSFER OR SALE IS IN COMPLIANCE WITH THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER PROVINCE OR TERRITORY OF THE UNITED STATES. BY ITS ACCEPTANCE OF THESE SECURITIES THE PURCHASER REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT AND THAT IT IS EITHER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER PURCHASERS WHO ARE QIBs AND AGREES THAT THE SECURITIES ARE NOT BEING ACQUIRED WITH A VIEW TO DISTRIBUTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR REALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY WILL BE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(A)(3) UNDER THE U.S. SECURITIES ACT AND FOR SO LONG AS SUCH SHARES ARE “RESTRICTED SECURITIES” (AS SO DEFINED) THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

- (xvi) It represents that if, in the future, it re-offers, re-sells, pledges or otherwise transfers the Pre-emptive Rights, Interim Shares or New Shares, it shall notify such subsequent transferee of the restrictions on transfer set out herein.
- (xvii) It acknowledges and agrees that the Company may make notation on its records or give instructions to the registrar and any transfer agent of the Pre-emptive Rights, the Interim Shares or the New Shares in order to implement the restrictions on transfer set forth and

described herein, and it shall not have any obligation to recognise any offer, resale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described in this section.

- (xviii) No agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the New Shares.
- (xix) It is not an affiliate (as defined in rule 501(b) under the U.S. Securities Act) of the Company and is not acting on behalf of an affiliate of the Company.
- (xx) It confirms that, to the extent it is purchasing New Shares for the account of one or more persons: (a) it has been duly authorised to make the confirmations, acknowledgements and agreements set forth herein on their behalf; and (b) these provisions constitute legal, valid and binding obligations of it and any other persons for whose account it is acting.
- (xxi) It acknowledges and agrees that the Company, its affiliates, the Managers, their respective affiliates, the registrar and others will rely upon the truth and accuracy of the foregoing warranties, acknowledgements, representations and agreements. It agrees that if any of the representations, warranties, agreements and acknowledgements deemed to be made cease to be accurate, it shall notify the Company and the Managers promptly, and in any event prior to any attempted purchase of or subscription for, as applicable, Pre-emptive Rights, Interim Shares or New Shares.
- (xxii) It represents and warrants that all necessary actions have been taken to authorise the purchase by it of the New Shares.
- (xxiii) It and any person acting on its behalf have all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto.

The offering of Pre-emptive Rights, Interim Shares and New Shares to eligible Existing Shareholders in the United States will be the sole responsibility of the Company.

Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Pre-emptive Rights. However, due to restrictions under applicable laws and regulations, Existing Shareholders whose Existing Shares are directly registered in a securities account with registered addresses in the United States will not receive this Prospectus, nor will they receive any subscription rights on their respective securities accounts or any pre-printed issue statement or application form. Banks or other nominees that hold for shareholders in the Company whose holdings on the Record Date are nominee registered must not send this Prospectus or any pre-printed issue statement or application form to Shareholders with addresses in, or who are located or resident in, the United States without the prior written approval of the Company.

Any person in the United States that obtains a copy of this Prospectus and that is not a QIB is required to disregard this Prospectus.

For the period of 40 days after the commencement of the Offering, an offer or a transfer of Pre-emptive Rights, Interim Shares or New Shares in the United States made by a securities broker

(regardless of whether or not this broker partakes in the rights issue) could entail a breach of the registration requirements under the U.S. Securities Act, unless made in accordance with an exemption from the registration requirements under the U.S. Securities Act.

For as long as any of the Pre-emptive Rights, Interim Shares and New Shares are "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted Pre-emptive Rights, Interim Shares and New Shares, or to any prospective purchaser of such restricted Pre-emptive Rights, Interim Shares and New Shares designated by such holder or beneficial owner, upon written request the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is exempted from reporting under the Exchange Act pursuant to Rule 12g3-2(b).

The Company is incorporated under the laws of Denmark and none of the members of the Board of Directors or the Executive Management are citizens or residents of the United States. Therefore, it may not be possible for investors to effect service of process within the United States upon the Company, or upon any of the members of the Board of Directors or the Executive Management, or to enforce outside the United States judgments obtained against the Company, or against any of the members of the Board of Directors or the Executive Management in U.S. courts, including, without limitation, judgments based upon the civil liability provisions of the U.S. federal securities laws or the laws of any state or territory within the United States. There is no treaty between the United States and Denmark providing for reciprocal recognition and enforceability of judgments rendered in connection with civil and commercial disputes and, accordingly, a final judgment rendered by a U.S. court based on civil liability would not be enforceable in Denmark. It is uncertain whether Danish courts would allow actions to be predicated on the securities laws of the United States or other jurisdictions outside Denmark. Danish courts are likely to deny claims for punitive damages and may grant a reduced amount of damages compared to U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Company may not be subject to the civil liability provisions of the federal securities laws of the United States.

### **25.10.3 Restrictions on offers and sales in the EEA**

In relation to each Relevant State, no offering of Pre-emptive Rights, Interim Shares or New Shares will be made to the public in any Relevant State prior to the publication of a prospectus concerning the Pre-emptive Rights, Interim Shares and the New Shares which has been approved by the competent authority in such Relevant State or, where relevant, approved in another Relevant State and notified to the competent authority in such Relevant State, all pursuant to the Prospectus Regulation, except that an offering of Pre-emptive Rights, Interim Shares and New Shares may be made to the public at any time in such Relevant State pursuant to the following exemptions from the Prospectus Regulation:

- a) to any legal entity which is a Qualified Investor;
- b) to fewer than 150 natural or legal persons other than Qualified Investors, subject to obtaining the prior written consent of the Company and the Joint Global Coordinators; or

- c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

In any Relevant State other than Denmark, the Prospectus is only addressed to, and is only directed at, investors in such Relevant State that fulfil the criteria for exemption from the obligation to publish a prospectus, including Qualified Investors.

For the purposes of the above, the expression an "offer of Pre-emptive Rights, Interim Shares and New Shares to the public" in relation to Pre-emptive Rights, Interim Shares and New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Pre-emptive Rights, the Interim Shares and the New Shares so as to enable an investor to decide whether to acquire the Pre-emptive Rights, the Interim Shares and acquire or subscribe for the New Shares.

#### **25.10.4 Notice to investors in the United Kingdom**

No New Shares, Interim Shares or Pre-emptive Rights have been offered or will be offered in connection with the Offering to the public in the United Kingdom, except that the New Shares, the Interim Shares and the Pre-emptive Rights may be offered to the public in the United Kingdom at any time:

- d) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- e) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- f) in any other circumstances falling within the UK Financial Services and Markets Act 2000; provided that no such offer of the New Shares, the Interim Shares or Pre-emptive Rights shall require the Company or Managers to publish a prospectus pursuant to the UK Financial Services and Markets Act 2000 Order or a supplement a prospectus pursuant to the UK Prospectus Regulation.

For the purposes of the above, the expression an "offer to the public" in relation to the New Shares, the Interim Shares or Pre-emptive Rights in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any New Shares, Interim Shares or Pre-emptive Rights to be offered so as to enable an investor to decide to purchase or subscribe for any New Shares, Interim Shares or Pre-emptive Rights, and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

This Prospectus is only being distributed to, and is only directed at, (i) persons outside the UK or (ii) "investment professionals" falling within Article 19(5) of the Financial Promotion Order or (iii) "high net worth companies" and other persons to whom it may lawfully be communicated, falling within the meaning of Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons being "Relevant Persons"). Pre-emptive Rights, Interim Shares and New Shares are

only available to Relevant Persons and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such Pre-emptive Rights, Interim Shares or New Shares will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act on or rely upon this Prospectus or any of its contents.

Any person in the United Kingdom who participates in the Offering will be deemed to have represented, warranted and acknowledged to the Company and the Managers that: it is a Relevant Person (as defined above) and undertakes that it will subscribe for, hold, manage or dispose of any Pre-emptive Rights, Interim Shares and/or New Shares that are allocated to it for the purposes of its business; it is subscribing for the New Shares for its own account or is subscribing for the New Shares for an account with respect to which it exercises sole investment discretion and has the authority to make and does make the representations, warranties and acknowledgements contained herein; and if it is a financial intermediary, as that term is used in Article 5(1) of the UK Prospectus Regulation, that any New Shares subscribed for by it in the Offering will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in circumstances which may give rise to an offer of securities to the public other than an offer or resale in the United Kingdom or a member state of the EEA to "qualified investors" (as defined in Article 2(e) of the UK Prospectus Regulation or the Prospectus Regulation, as applicable), or in circumstances in which the prior consent of the Managers has been given to each such proposed offer or resale.

#### **25.10.5 Restrictions on sales in Canada, Australia and Japan and any other jurisdiction outside Denmark**

The Pre-emptive Rights, the Interim Shares and the New Shares have not been approved, disapproved or recommended by any foreign regulatory authorities, nor have any of such authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus.

This Prospectus may not be distributed or otherwise made available, the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Pre-emptive Rights and the Interim Shares may not be offered, sold, acquired or exercised, directly or indirectly, in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable legislation in the relevant jurisdiction, and the Company and the Managers receive satisfactory documentation to that effect.

#### **25.11 Offering and proceeds**

The reason for the Offering is to raise funds to finance the Company's contribution of the cash consideration for the Acquisition.

Hence, the majority of the proceeds from the Offering (DKK 10,242,046,300) will be used to partly pay the consideration of DKK 12,586,000,000 payable by the Company at completion of the Acquisition.

The remaining part of the proceeds from the Offering will be used to cover part of the fees payable by the Company in connection to the Offering to the Managers and other advisers. Such fees are expected to be approximately DKK 230,000,000.

Any remaining fees and cost reimbursements payable in connection with the Offering will be paid using other funds held by the Company.

Reference is made to Part I, section 5 – "Details of the Acquisition" for further details on the Acquisition and Part II, section 28 – "Expenses of the Offering".

#### **25.12 Withdrawal or suspension of the Offering and termination of the Underwriting Agreement**

The Offering may be withdrawn by the Company subject to certain conditions before registration of the capital increase relating to the New Shares with the Danish Business Authority.

If the Offering is withdrawn, any exercise of Pre-emptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs) to the last registered owner of the Interim Shares as at the date of such withdrawal. All Pre-emptive Rights will lapse, and no New Shares will be issued.

Trades of Pre-emptive Rights executed during the Rights Trading Period will, however, not be affected. Consequently, investors who have acquired Pre-emptive Rights will incur a loss corresponding to the purchase price of the Pre-emptive Rights and any transaction costs.

Trades in Existing Shares and Interim Shares will also not be affected if the Offering does not complete, and Shareholders and investors that have acquired Interim Shares will receive a refund of the subscription amount for the New Shares (less any transaction costs). As a result, Shareholders and investors that have acquired Interim Shares will incur a loss corresponding to the difference between the purchase price of the Interim Shares and the Subscription Price paid for the New Shares and any transaction costs.

The Company and the Managers have entered into an Underwriting Agreement. Pursuant to the Underwriting Agreement, the Joint Global Coordinators and the Joint Bookrunners is entitled to terminate the Underwriting Agreement (a) if the Acquisition is withdrawn, and the Company decides not to pursue with the Offering as a result thereof, (b) the Admission is withdrawn by Nasdaq Copenhagen, (c) the registration of the New Shares is refused by the Danish Business Authority, and or (d) the date of any condition in the Underwriting Agreement has not been satisfied or waived by the time and date it is required to have been satisfied or waived in accordance with the terms of the Underwriting Agreement, or if no time is specified, prior to registration of the New Shares with the Danish Business Authority (unless it has been waived in writing by the Joint Global Coordination). As such, the Underwriting Agreement contains completion conditions, which the Company believes to be customary for the Offering, and the completion of the Offering is subject to compliance with the conditions, excluding those which have been satisfied as at the Prospectus Date. Reference is made to Part I, section 21.2 – "Material - Summary of material contracts relating to the Offering" for a description of the conditions in the Underwriting Agreement. In case of one or more of the termination events, the Joint Global



Coordinators may, in their absolute discretion, by notice in writing delivered to the Company, terminate the Underwriting Agreement, which may thereby require that the Company withdraws the Offering. See Part I, section 21.2 – "Material - Summary of material contracts relating to the Offering" for further details on the Underwriting Agreement.

The Company is not liable for any losses that investors may suffer as a result of withdrawal of the Offering including but not limited to, any transaction costs or lost interest.

A withdrawal of the Offering will be announced as a company announcement through Nasdaq Copenhagen. With respect to risks related to withdrawal of the Offering, see "Risk Factors".

#### **25.13 Withdrawal of applications of subscription**

Instructions to exercise Pre-emptive Rights related to the New Shares are irrevocable, except that in the event of any material changes in connection with the information in this Prospectus which may affect the evaluation of the Pre-emptive Rights, the New Shares or the Existing Shares, which occurs or is ascertained between the time of approval of this Prospectus and the final completion of the Offering (closing of the offer period) or the delivery of the Shares, whichever occurs first. In such case, the Company will publish a supplement pursuant to applicable rules and legislation in Denmark. Such period may be extended by the Company and will be stated in the relevant supplement. Investors who have accepted to exercise Pre-emptive Rights prior to publication of the supplement will be entitled to withdraw their acceptance for three trading days after the publication of such supplement.

The procedure regarding the withdrawal of the subscriptions will be announced together with the relevant supplement to the Prospectus.

#### **25.14 Plan of distribution and allotment and process for notifying applicants**

There is no pre-allotment of New Shares. The New Shares may be subscribed for by the Existing Shareholders of the Company according to the Pre-emptive Rights allocated.

New Shares which have not been subscribed for by the Existing Shareholders before the expiry of the Subscription Period will be allocated in agreed proportions according to the Underwriting Agreement to the Managers. See Part I, section 21.2 - "Material - Summary of material contracts relating to the Offering" for further details on the Joint Global Coordinators' and the Joint Bookrunners' obligation to underwriting Remaining Shares.

#### **25.15 Intentions of major shareholders and members of the Board of Directors and the Executive Management with regard to subscription of New Shares**

The Company has entered into agreement with its major shareholder, the Association, with regard to subscription of New Shares through the exercise of Pre-emptive Rights and guarantee commitment for an aggregate subscription amount of DKK 4.650 billion. See Part I, section 21.2 – "Material " – "Summary of material contracts relating to the Offering" for further details in the irrevocable subscription undertaking by the Association.

In addition, the Company has received irrevocable subscription undertakings to subscribe for New Shares through the exercise of Pre-emptive Rights allocated based on shares acquired in connection with accelerated bookbuilding executed 26 August 2021, from AP Pension Livsforsikringsaktieselskab, Nykredit Realkredit A/S and Østifterne f.m.b.a corresponding to an aggregate amount of DKK 547 million. The total irrevocable undertakings reflect 5.2% of the Offering.

#### **25.16 Subscription Price and amount of any expenses and taxes charged**

The New Shares are offered at the Subscription Price of DKK 7.55 per New Share (excluding fees, if any, from the investor's own custodian bank or brokers).

Reference is made to Part II, section 24.5 - "Information concerning the New Shares" – "Tax warnings" for further details on taxation.

#### **25.17 Completion of the Offering**

The Offering will only be completed if and when the New Shares subscribed for are issued by the Company upon registration with the Danish Business Authority, which is expected to take place no later than on 2 December 2021 before listing of the New Shares.

A company announcement concerning the results of the Offering is expected to be disclosed no later than on 30 November 2021.

#### **25.18 Placing and underwriting**

##### **25.18.1 Joint Global Coordinators and Joint Bookrunners**

J.P.Morgan and Nordea are acting as Joint Global Coordinators Coordinator.

The addresses of the Joint Global Coordinators are:

- J.P.Morgan AG: Taunustor 1, (TaunusTurm), 60310 Frankfurt am Main, Germany.
- Nordea Danmark, filial af Nordea Bank Abp, Finland: Grønjordsvej 10, DK-2300 Copenhagen S, Denmark

SEB and Danske Banks are acting as Joint Bookrunners

The addresses of the Joint Bookrunners are:

- Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ), Sverige (SEB Corporate Finance): Bernstorffsgade 50, DK-1014 Copenhagen K, Denmark.
- Danske Bank A/S: Holmens Kanal 2-12, DK 1060, Copenhagen K, Denmark.

### **25.18.2 Subscription and paying agents**

Shareholders' instructions to exercise Pre-emptive Rights and subscribe for New Shares must be given to each Shareholder's custodian institution or financial intermediary.

In addition to VP Securities, Euroclear and Clearstream are acting as international payment intermediaries:

- Euroclear Bank S.A./N.V.: 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.
- Clearstream Banking S.A.: 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

### **25.18.3 Settlement Agent and share issuing agent**

Nordea acts as Settlement Agent for the Offering. Any questions from Existing Shareholders or investors related to Offering should be directed to the Shareholder's or investor's own account holding institution or nominee. If the account holding institutions have questions regarding the Offering, any questions may, on business days between 9:00 a.m. CET and 16:00 p.m. CET, be directed to:

Nordea Danmark, filial af Nordea Bank Abp, Finland  
Grønjordsvej 10  
DK-2300 Copenhagen s  
Denmark

The Company's share issuing agent is:

Danske Bank A/S  
Holmens Kanal 2-12  
DK-1092 Copenhagen K  
Denmark

### **25.18.4 Underwriting Agreement**

In connection with the Offering, the Company and the Joint Global Coordinators and the Joint Bookrunners have entered in an Underwriting Agreement on the Prospectus Date.

Prior to entering into the Underwriting Agreement, the Company and the Joint Global Coordinators and the Joint Bookrunners entered into a Stand-By Underwriting Agreement on 31 May 2021.

According to the Underwriting Agreement, the Offering is, subject to certain conditions, fully underwritten.

See Part I, section 21.2 – "Material - Summary of material contracts relating to the Offering" for further details on the Stand-By Underwriting Agreement and the Underwriting Agreement.

#### **25.18.5 Advance undertakings**

In addition to the Underwriting Agreement referred to above, the Association has provided an irrevocable subscription undertaking. See Part I, section 21.2 - "Material - Summary of material contracts relating to the Offering" for further details on the irrevocable undertaking.

In addition, the Company has received irrevocable subscription undertakings to subscribe for New Shares through the exercise of Pre-emptive Rights allocated based on shares acquired in connection with accelerated bookbuilding executed 26 August 2021, from AP Pension Livsforsikringsaktieselskab, Nykredit Realkredit A/S and Østifterne f.m.b.a corresponding to an aggregate amount of DKK 547 million. The total irrevocable undertakings reflect 5.2% of the Offering.

## **26. ADMISSION TO TRADING AND OFFICIAL LISTING**

### **26.1 Admission to trading and official listing**

The Company's Existing Shares have been admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0015250344.

The Company's CFI code is ESVUFN and FISN code is ALMB.CO.

In connection with the Offering, the Pre-emptive Rights have been approved for admission to trading and official listing on Nasdaq Copenhagen under the symbol "ALMB T" to the effect that they can be traded on Nasdaq Copenhagen during the Rights Trading Period from 11 November 2021 at 9:00 a.m. CET to 24 November 2021 at 5:00 p.m. CET.

The Interim Shares will be issued and registered under the interim ISIN code DK0061678109. The Interim Shares will not be admitted to trading and official listing on Nasdaq Copenhagen. The Interim Shares are thus registered in VP Securities solely for the subscription of the New Shares.

Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place on 2 December 2021. Nasdaq Copenhagen has conditionally approved the New Shares for admission to trading and official listing. Admittance to trading and official listing of the New Shares under the existing ISIN code, DK0015250344, is expected to take place on 6 December 2021. As soon as possible thereafter, the interim ISIN code of the Interim Shares will be merged with the ISIN code of the Existing Shares, expected to take place on 7 December 2021.

### **26.2 Private placements**

No securities of the same class as the Shares are privately placed simultaneously or almost simultaneously with the application for Admission of the New Shares.

On 26 August 2021, the Association sold 21,000,000 Existing Shares in the Company equivalent to 13.6% of share capital of the Company to institutional investors pursuant to an accelerated bookbuild offering. The accelerated bookbuild offering resulted in the Association reducing its interest in the Company from approximately 58.2% to approximately 44.6% of the Existing Shares with a net proceed of approximately DKK 900 million, thereby bringing the irrevocable subscription undertaking by the Association to approximately DKK 4.650 billion as described in Part I, section 21.2 – "Material " – "Summary of material contracts relating to the Offering". Based on the subscription undertaking, it is the expectation of the Association to subscribe for its pro-rata share of the Offering.

### **26.3 Stabilisation and market making**

The Company has not entered into any market maker agreement or any agreement regarding stabilisation in connection with the Offering.

## **27. SELLING SHAREHOLDERS AND LOCK-UP**

### **27.1 Shareholders who have indicated that they expect to sell their Shares or Pre-emptive Rights**

There are no selling shareholders in the Offering as the Offering is structured as an issue of New Shares.

The Association which at the Prospectus Date holds approximately 44.6% of the Company's share capital is entitled to 618,446,556 Pre-emptive Rights allowing the Association to subscribe for 618,446,556 New Shares through the exercise of Pre-emptive Rights. The Association has signed an irrevocable subscription undertaking under which the Association irrevocably undertakes toward the Company and the Managers in connection with the Offering to (i) subscribe for New Shares by way of exercise of Pre-emptive Rights and pay the corresponding amount no later than 3 days prior to the end of the Subscription Period of the Offering to the Managers as instructed, for a total subscription amount of approximately DKK 3.750 billion, and (ii) subscribe for New Shares on a cash neutral basis by sale of Existing Shares held by the Association and/or allocated Pre-emptive Rights intended to be sold in one or more placings prior to closing of the Offering. The sale as described in (ii) occurred on 26 August 2021 where the Association sold 21,000,000 Existing Shares in the Company equivalent to 13.6% of share capital of the Company to institutional investors pursuant to an accelerated bookbuild offering with a net proceed of approximately DKK 900 million, thereby bringing the aforementioned irrevocable subscription undertaking to approximately DKK 4.650 billion. Based on the subscription undertaking, it is the expectation of the Association to subscribe for its pro-rata share of the Offering. For further details about the irrevocable subscription undertaking, reference is made to Part I, section 21.2 – "Material - Summary of material contracts relating to the Offering".

As at the Prospectus Date, the Company holds a total of 303,064 treasury shares, equivalent to 0.2% of the share capital, which entitles the Company to receive 2,727,576 Pre-emptive Rights. However, as the Company is not permitted under Danish law to exercise any Pre-emptive Rights, the Company intends to sell all Pre-emptive Rights received in connection with the Offering.

### **27.2 Lock-up agreements in connection with the Offering**

#### **27.2.1 Lock-up undertakings undertaken by the Company and the members of the Board of Directors and Executive Management**

##### **27.2.1.1 Lock-up undertaking undertaken by the Company**

Pursuant to the Underwriting Agreement, from the date of the Underwriting Agreement, being the same date as the Prospectus Date, until the date falling 180 calendar days after the fifth business day after 26 November 2021 (inclusive) (or such other date as may be agreed in writing between the Company and the Joint Global Coordinators), the Company has undertaken not to, without the prior written consent of the Joint Global Coordinators, (i) allocate, offer, issue (or contract to allocate or issue), or directly or indirectly lend, sell, transfer, pledge, lien, charge, grant any rights in respect of or security or an option over its Shares, or enter into any other

agreement or arrangement having a similar effect, or in any way, whether directly or indirectly, dispose of the legal title to or beneficial interest in its Shares, including any New Shares, or publicly disclose the intention to make any such allocation, issue, sale, transfer, pledge, lien, charge, grant or offer; or (ii) enter into any swap or other agreement, arrangement or transaction that transfers, confers or allocate, in whole or in part, directly or indirectly, any of the economic consequences of the ownership of its Shares; or (iii) carry out any capital increases or issue any convertible bonds, exchangeable bonds or other securities which are convertible, exchangeable, exercisable into, or otherwise give the right to subscribe for or acquire its Shares, whether directly or indirectly, (whether any such swap, agreement, arrangement or transaction described in (i) or (ii) above is to be settled by delivery of Shares, cash or otherwise); or (iv) make any announcement or other publication of the intention to do any of the foregoing or make any filing with respect thereto. The foregoing undertaking shall not apply to: (a) the issuance of the Pre-emptive Rights and the New Shares; (b) the sale of Pre-emptive Rights received in connection with the Offering in respect of treasury shares; (c) transfers or issues of any kind of Company securities to the Company's employees and its subsidiaries' employees, executive management or members of the Company's board of directors in accordance with existing or adopted future employee incentive programmes; or (d) submission to Shareholders of a proposal to adopt, increase and/or extend authorisations to the Board of Directors to issue securities and any resulting increase in the share capital of the Company according to the Articles of Association.

#### **27.2.1.2 Lock-up undertaking undertaken by the Management**

Pursuant to the Underwriting Agreement, the Management has agreed with the Joint Global Coordinators that in relation to the sale of Existing Shares from the date of the Underwriting Agreement, being the same date as the Prospectus Date (the "Effective Date") during the period ending 180 calendar days after the first day of trading of the New Shares on Nasdaq Copenhagen (the "Expiry Date"), the Management will not (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Existing Shares held by the Management or any securities convertible into or exercisable or exchangeable for Shares in the Company or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Existing Shares held by the Management, whether any such transaction described in clause (a) or (b) above (each a "Disposal") is to be settled by delivery of Existing Shares held by the Management or such other securities, in cash or otherwise. In addition to this lock-up undertaking, the Management has undertaken certain other obligations that the Management deems customary for the Offering.

The lock-up restrictions as described above and contained in the lock-up undertaking as an appendix to the Underwriting Agreement do not apply to any of the following events; (i) any Disposal to which the written consent of the Joint Global Coordinators (not to be unreasonably withheld or delayed) has been obtained, (ii) any Disposal to a related party (as defined in the Underwriting Agreement), provided that such individual or entity agrees in writing to be bound by the lock-up undertaking and executes an undertaking of adherence in the form attached thereto to effect the same, (iii) any Disposal related to (a) an acceptance of a takeover offer for Shares in the Company; (b) the provision of an irrevocable undertaking to accept such an offer;

or (c) an offeror or potential offeror during an offer period, or otherwise in response to or pursuant to a takeover offer, (iv) the Management's sale of subscription rights received in connection with the Offering; (v) any Disposal in accordance with any order made by a court of competent jurisdiction or required by law or regulation, (vi) any Disposal occurring after death, permanent disability or interruption in employment for a continuous period of not less than 16 weeks due to disability or illness of the direct or indirect shareholder of the relevant member of the Management, (vii) vote in favour of resolutions to the general meeting to adopt, increase and/or extend authorisations of the Board of Directors to increase the share capital of the Company; (viii) vote in favour of resolutions to the general meeting to adopt, increase and/or extend authorisations of the Board of Directors to issue warrants or restricted stock units, shares for matching share programmes, performance share units or similar, which will entitle the holders to subscribe for or otherwise receive shares in the Company, solely for purposes of the Company's executive or employee share schemes or incentive plans existing on the Effective Date, or which may be in force after the Effective Date, (ix) propose (and/or vote in favour of) resolutions at the general meeting to authorise the Board of Directors to purchase treasury shares, or (x) any pledge of Existing Shares held by the Management to and in favour of a financial institution to the extent and for such an amount which the relevant member of the Management has borrowed from such financial institution to finance the acquisition of the Existing Shares or securities convertible into or exercisable or exchangeable for Shares held by the relevant member of the Management.

If the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to registration of New Shares the Management's lock-up undertaking expires.

## **27.2.2 Lock-up undertakings undertaken by the Association**

### **27.2.2.1 Lock-up undertaking undertaken by the Association pursuant to the Underwriting Agreement**

In connection with entering into the Underwriting Agreement, the Association has agreed with the Joint Global Coordinators that from the Effective Date until the Expiry Date, the Association will not (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Existing Shares held by the Association or any securities convertible into or exercisable or exchangeable for Shares in the Company or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Existing Shares held by the Association, whether any such transaction described in clause (a) or (b) above (each a "Disposal") is to be settled by delivery of Existing Shares held by the Association or such other securities, in cash or otherwise. In addition to this lock-up undertaking, the Association has undertaken certain other obligations that the Association deems customary for the Offering.

The lock-up restrictions as described above and contained in the lock-up undertaking as an appendix to the Underwriting Agreement do not apply to any of the following events; (i) any Disposal to which the written consent of the Joint Global Coordinators (not to be unreasonably



withheld or delayed) has been obtained, (ii) any Disposal related to (a) an acceptance of a takeover offer for Shares in the Company; (b) the provision of an irrevocable undertaking to accept such an offer; or (c) an offeror or potential offeror during an offer period, or otherwise in response to or pursuant to a takeover offer, (iii) subject to the irrevocable undertaking entered into between the Association, the Company and the among others, the Joint Global Coordinators, the Covenantor's sale of up to 618,446,556 Pre-emptive Rights received in connection with the Offering, (iv) vote in favour of resolutions to the general meeting to adopt, increase and/or extend authorisations of the Board of Directors to increase the share capital of the Company, (v) vote in favour of resolutions to the general meeting to adopt, increase and/or extend authorisations of the Board of directors to issue warrants or restricted stock units, shares for matching share programmes, performance share units or similar, which will entitle the holders to subscribe for or otherwise receive Shares in the Company, solely for purposes of the Company's executive or employee share schemes or incentive plans existing on the Effective Date, or which may be in force after the Effective Date, (vi) propose (and/or vote in favour of) resolutions at the general meeting to authorise the Board of Directors to purchase treasury shares, (vii) any Disposal in accordance with any order made by a court of competent jurisdiction or required by law or regulation, or (viii) any pledging of the Existing Shares held by the Association in favour of a lender where the proceeds from the loan is used to purchase further New Shares.

If the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to registration of New Shares the Management's lock-up undertaking expires.

#### **27.2.2.2 Lock-up undertaking undertaken by the Association pursuant to the placing agreement between the Association and the Managers**

In the placing agreement entered into between the Association and the members of the Managers in connection with the placement of Existing Shares held by the Association in an accelerated bookbuild offering in order for the Association to further participate in the Offering on a cash neutral basis (the "Placing Agreement"), the Association has agreed that from the date of the Placing Agreement, 25 August 2021, and until the earlier of (i) 360 calendar days after the payment date being 30 August 2021 and (ii) 180 calendar days after the first date of trading of the New Shares issued in connection with the Offering on Nasdaq Copenhagen, it will not without having obtained the prior written consent of J.P. Morgan, Nordea and Danske Bank (whose consent shall not be unreasonably withheld or delayed) (a) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in (a) or (b) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (c) submit to its members a proposal to effect any of the foregoing. The foregoing shall not apply to (i) the transfer of the Shares held by the Association in connection with the accelerated bookbuild offering, (ii) selling or otherwise disposing of Shares pursuant to a takeover offer for the Shares, (iii) any selling or disposal of Pre-emptive Rights to subscribe for New Shares on a cash neutral basis in the Offering, (iv) selling

or disposal in accordance with any order made by a court of competent jurisdiction or required by law or regulation and (v) any pledge of Shares in favour of a lender where the proceeds from the loan is used to purchase further New Shares.

## **28. EXPENSES OF THE OFFERING**

### **28.1 Total net proceeds and an estimate of the total expenses of the Offering**

The total estimated costs and expenses in relation to the Offering payable by the Company to the Managers, other adviser fees and expenses and fees related to the Offering, are estimated to be approximately DKK 230,000,000.

See also Part II, section 23.2 - "Essential information on persons involved in the Offering, capitalisation and use of proceeds - Reasons for the Offering and use of proceeds".

Further, the Company has agreed to pay a subscription commission to Danish account holding banks (unless such account holding bank is a Manager) equivalent to 0.10% of the aggregate Subscription Price of the New Shares subscribed for through the relevant account holding institution (except for the Managers), in connection with the Offering.

Neither the Company nor the Managers will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account keeping financial institution.

## **29. DILUTION**

### **29.1 Dilution of Existing Shareholders before and after the Offering**

As at the Prospectus Date, the Company's registered share capital had a nominal value of DKK 154,114,000 divided into 154,114,000 Existing Shares with a nominal value of DKK 1. All Existing Shares are issued and fully paid up, and each Existing Share represents 1 vote.

Upon issue of the New Shares, the percentage of ownership of the Existing Shareholders may be reduced. If the Existing Shareholders refrain from exercising Pre-emptive Rights allocated to them in connection with the Offering, each Existing Shareholder's ownership will be diluted by 90%. If the Existing Shareholders elect to partly exercise the Pre-emptive Rights allocated to them, the rate of dilution will be between 0 to 90% depending of the exercise. If the Existing Shareholders exercise their Pre-emptive Rights in full, they will not be diluted.

The Company's net asset value as of 30 September 2021 was DKK 3,271 or DKK 21 per Existing Share. The net asset value per Existing Share is determined by dividing the net asset value by the total number of Existing Shares. The New Shares can be subscribed for at a Subscription Price of DKK 7,6 per New Share in the Offering.

### **30. ADDITIONAL INFORMATION**

#### **30.1 Advisers**

Joint Global Coordinators:

Nordea Danmark, filial af Nordea Bank Abp, Finland  
Grønjordsvej 10  
DK-2300 Copenhagen S  
Denmark

J.P.Morgan AG  
Taunustor 1, (TaunusTurm)  
60310 Frankfurt am Main  
Germany

Joint Bookrunners

Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ),  
Sverige (SEB Corporate Finance)  
Bernstorffsgade 50  
DK-1014 Copenhagen K  
Denmark

Danske Bank A/S  
Holmens Kanal 2-12  
DK-1060 Copenhagen K  
Denmark

Local legal adviser to the Company in connection with the Offering:

Accura Advokatpartnerselskab  
Tuborg Boulevard 1  
DK-2900 Hellerup  
Denmark

International legal adviser to the Company

Kirkland & Ellis International LLP  
30 St Mary Axe  
London EC3A 8AF  
United Kingdom

Local legal adviser to the Joint Global Coordinators and the Joint Bookrunners in connection with the Offering:

Bech-Bruun Law Firm P/S  
Langelinie Allé 35  
DK-2100 Copenhagen Ø  
Denmark

International legal adviser to the Joint Global Coordinators and the Joint Bookrunners in connection with the Offering:

Davis Polk & Wardwell London LLP  
5 Aldermanbury Square  
London EC2V 7HR  
United Kingdom

Auditors to the Company as at the Prospectus Date:

EY Godkendt Revisionspartnerselskab  
Dirch Passers Allé 36  
DK-2000 Frederiksberg  
Denmark

Auditors to the Company in relation to the historical financial information included in this Prospectus:

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S  
Denmark

### **30.2 Other information audited or reviewed by auditors**

No other information other than as explicitly stated has been audited or reviewed by statutory auditors or has been produced as a report.

### III. DEFINITIONS AND GLOSSARY

The following explanations are not intended as technical definitions and are provided purely for assistance in understanding certain terms as used in this Prospectus.

**2020, 2019 and 2018 Carve-out Financial Statements of Codan Denmark**

Audited Combined Carve-Out Financial Statements of Codan Denmark as of and for the financial years ended 31 December 2020, 2019 and 2018 audited by KPMG Statsautoriseret Revisionspartnerselskab

**Q1 - Q3 2021 Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark**

Unaudited but reviewed Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark as of and for the financial period ended 30 September 2021 reviewed by KPMG Statsautoriseret Revisionspartnerselskab (comparative figures for the financial period ended 30 September 2020 not audited or reviewed)

**Q1 - Q3 2021 Condensed Interim Financial Statements**

Unaudited but reviewed condensed consolidated interim financial statements of the Group as of and for the financial period ended 30 September 2021 reviewed by Deloitte Statsautoriseret Revisionspartnerselskab (comparative figures as of and for the financial period ended 30 September 2020 not audited or reviewed)

**2018 Consolidated Financial Statements**

The audited consolidated financial statements of the Group as of and for the year ended 31 December 2018 with comparative figures

**2019 Consolidated Financial Statements**

The audited consolidated financial statements of the Group as of and for the year ended 31 December 2019 with comparative figures

**2020 Consolidated Financial Statements**

The audited consolidated financial statements of the Group as of and for the year ended 31 December 2020 with comparative figures

**2020 Pro Forma Financial Information**

The unaudited pro forma consolidated financial information for the Enlarged Group prepared and presented for illustrative purposes illustrating the impact of the Acquisition and Divestment as if the Acquisition and the Divestment had been undertaken as of 31 December 2020 for purposes of the unaudited pro forma consolidated balance sheet and on 1 January 2020 for purposes of the

	unaudited pro forma consolidated income statement
<b>Acquisition</b>	The contemplated acquisition by the Company of the total issued and outstanding share capital of Chopin Forsikring
<b>Admission</b>	Admission of the New Shares to trading and official listing on Nasdaq Copenhagen
<b>Allocation Time</b>	12 November 2021 at 5:59 CET at which any person registered with VP Securities as a shareholder of the Company will be entitled to be allocated 9 (nine) Pre-emptive Rights for each Existing Share held
<b>Alm. Brand Liv og Pension</b>	Forsikringselskabet Alm. Brand Liv og Pension A/S, CVR no. 64145711
<b>APMs</b>	Alternative performance measures
<b>Articles of Association</b>	The Company's Articles of Association dated 27 October 2021
<b>Association</b>	Alm. Brand af 1792 fmba, CVR no. 26663660
<b>Board of Directors</b>	The board of directors of the Company as registered with the Danish Business Authority at the Prospectus Date
<b>CAGR</b>	Compound Annual Growth Rate
<b>Chopin Forsikring</b>	Chopin Forsikring A/S, CVR no. 41963948, a Danish regulated entity to which the Codan DK Business will be transferred through the Demerger
<b>Codan Denmark</b>	The business as conducted by Codan Forsikring and Privاتفorsikring relating to the Codan DK Business that will be transferred to the Company as part of the Demerger being performed by the Sellers
<b>Codan DK Business</b>	The business as conducted by Codan Forsikring and Privاتفorsikring relating to the Danish insurance



	business, including the assets and liabilities relating to Danish insurance business of Codan Forsikring and Privatsikring and such other assets and liabilities transferred from Codan Forsikring to Chopin Forsikring as part of the Demerger
<b>Codan Forsikring</b>	Codan Forsikring A/S, CVR no. 10529638
<b>Codan Norway</b>	Until completion of the Demerger, all assets and liabilities on the general ledger of the Norwegian branch of Codan Forsikring; and after completion of the Demerger, all assets and liabilities on the general ledger of the Norwegian branch of Codan Forsikring and any other assets or liabilities of RSA Scandinavia agreed between Intact and Tryg to relate to the Norwegian operations of RSA Scandinavia pursuant to the terms of the Separation Agreement
<b>Committee of Representatives</b>	The committee of representatives of the Association as of the Prospectus Date
<b>Company</b>	Alm. Brand A/S, CVR no. 77333517
<b>Corporate Governance Recommendations</b>	Committee on Corporate Governance's Recommendations for corporate governance of 2 December 2020 ( <i>Komitéen for god selskabsledelses anbefalinger for god selskabsledelse af 2. december 2020</i> )
<b>COVID-19</b>	The corona-virus disease which was declared a global pandemic by the World Health Organisation on 11 March 2020
<b>COVID-19 Measures</b>	The measures imposed by governments across the world designed to contain the outbreak of the COVID-19, including but not limited to business closures, restrictions on non-essential business activity, travel restrictions, quarantine and cancellations of gatherings and events
<b>CRM</b>	Customer Relationship Management
<b>Danish AML Act</b>	The Danish Act No. 1062 of 19 May 2021 on Measures to Prevent Money Laundering and Financing of Terrorism ( <i>hvidvaskloven</i> ), as amended

<b>Danish Competition and Consumer Authority</b>	Danish Competition and Consumer Authority ( <i>Konkurrence- og Forbrugerstyrelsen</i> ), CVR no. 10294819
<b>Danish Business Authority</b>	Danish Business Authority ( <i>Erhvervsstyrelsen</i> ), CVR no. 10150817
<b>Danish Capital Markets Act</b>	The Danish Consolidated Act no. 1767 of 27 November 2020 on Capital Markets ( <i>lov om kapitalmarkeder</i> ), as amended
<b>Danish Companies Act</b>	The Danish Consolidated Act no. 763 of 23 July 2019 on public and private limited companies ( <i>selskabsloven</i> ), as amended
<b>Danish Corporate Tax Act</b>	The Danish Consolidated Act no. 251 of 22 February 2021 on public and private limited companies ( <i>selskabsskatteloven</i> ), as amended
<b>Danish Data Protection Agency</b>	Danish Data Protection Agency ( <i>Datatilsynet</i> ), CVR no. 11883729
<b>Danish Debt Collection Act</b>	The Danish Consolidated Act no. 1018 of 19 September 2014 on debt collection ( <i>inkassoloven</i> ), as amended
<b>Danish Executive Order on Adoption of IFRS</b>	The Danish Executive Order no. 1306 of 16 December 2008 on the application of international accounting standards for companies comprised by the Danish Financial Business Act ( <i>bekendtgørelse om anvendelse af internationale regnskabsstandarder for virksomheder omfattet af lov om finansiel virksomhed</i> )
<b>Danish Financial Business Act</b>	The Danish Consolidated Act no. 1447 of 11 September 2020 on financial business ( <i>lov om finansiel virksomhed</i> ), as amended
<b>Danish FSA</b>	Danish Financial Supervisory Authority ( <i>Finanstilsynet</i> ), CVR no. 10598184
<b>Danish Insurance Contracts Act</b>	The Danish Consolidated Act no. 1237 of 9 November 2015 on insurance contracts ( <i>forsikringsaftaleloven</i> ), as amended

<b>Danish Ministry of Industry, Business and Financial Affairs</b>	Danish Ministry of Industry, Business and Financial Affairs ( <i>Erhvervsministeriet</i> ), CVR no. 10092485
<b>Danish Offering</b>	Offering of 1,387,026,000 New Shares to Existing Shareholders and to retail and institutional investors in terms of New Shares
<b>Demerger</b>	The contemplated demerger in accordance with sections 254-270 of the Danish Companies Act of Codan Forsikring whereby the Codan DK Business will be transferred to Chopin Forsikring pursuant to the Demerger Plan and Trygg-Hansa and Codan Norway will transfer to Tryg Forsikring A/S
<b>Demerger Agreement</b>	The agreement entered into between Codan, Codan Forsikring, Tryg Forsikring A/S and Target further detailing the agreements of the parties thereto in respect of the Demerger
<b>Demerger Balance Sheet</b>	The balance sheet as of 1 January 2021 in draft form reflecting the Codan DK Business as of the date hereof contemplated to be transferred to the Chopin Forsikring pursuant to the Demerger and to form part of the Demerger Plan
<b>Demerger Plan</b>	The demerger plan to be entered into between the entities participating in the Demerger set out in draft form in Schedule 8 to the Share Purchase Agreement
<b>Delegated Prospectus Regulation</b>	Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019
<b>Divestment</b>	Alm. Brand Forsikring A/S' conditional sale of the entire share capital of Alm. Brand Liv og Pension, including its fully owned subsidiary, Alm. Brand Ejendomsinvest A/S, to Nordic I&P DK ApS agreed 1 October 2021
<b>DKK</b>	Danish kroner, the lawful currency of Denmark
<b>EEA</b>	European Economic Area
<b>EIOPA</b>	European Economic Insurance and Occupational Pensions Authority

<b>Enlarged Group</b>	The Group and Codan Denmark
<b>Escrow Agent</b>	Nykredit Bank A/S, CVR no. 10519608
<b>EU</b>	European Union
<b>Exchange Act</b>	The U.S. Securities Exchange Act of 1934, as amended
<b>Executive Management</b>	The executive management of the Company as registered with the Danish Business Authority at the Prospectus Date
<b>Existing Shareholders</b>	Any person registered with VP Securities as a shareholder of the Company as at the Allocation Time
<b>Existing Shares</b>	154,114,000 shares at nominal value DKK 1 issued by the Company, comprising the Company's entire share capital at the Prospectus Date
<b>Financial Promotion Order</b>	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
<b>GDPR</b>	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), as amended
<b>Group</b>	Alm. Brand A/S together with its consolidated subsidiaries
<b>H2 2021</b>	The financial period from 1 July 2021 to 31 December 2021
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards as adopted by the EU
<b>Insurance Holding Company</b>	Has the meaning given to it in the Danish Financial Business Act

<b>Intact</b>	Intact Financial Corporation, registration no. 940573-365529
<b>Interim Shares</b>	Interim shares corresponding to and representing New Shares which have been subscribed for based on Pre-emptive Rights and which will be recorded on subscribers for New Shares' accounts with VP Securities after the subscription has been effected
<b>International Offering</b>	The private placement in the United States only to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act) and the private placements to institutional investors in the rest of the world (including in accordance with Regulation S) in terms of Remaining Shares
<b>Joint Bookrunners</b>	Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ), Sverige (SEB Corporate Finance), CVR no. 19 95 60 75 and Danske Bank A/S, CVR no. 61126228
<b>Joint Global Coordinators</b>	Nordea Danmark, filial af Nordea Bank Abp, Finland, CVR no. 25992180, and J.P. Morgan AG, company registration number HRB 16861
<b>J.P. Morgan</b>	J.P. Morgan AG, company registration number HRB 16861
<b>Management</b>	Board of Directors and Executive Management of the Company
<b>Managers</b>	The Joint Global Coordinators and the Joint Bookrunners
<b>Market Abuse Regulation</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation), as amended
<b>MCR</b>	The minimum capital requirement as defined in Solvency II

<b>Memorandum of Association</b>	The Company's memorandum of association related to the incorporation of the Company 28 March 1985
<b>MiFID II</b>	EU Directive 2014/65/EU on markets in financial instruments, as amended
<b>MiFID II Product Governance Requirements</b>	Collectively, (i) MiFID II, (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and (iii) local implementing measures
<b>Mixed-Activity Insurance Holding Company</b>	Has the meaning given to it in Solvency II (where appropriate as implemented in the Danish Financial Business Act)
<b>Nasdaq Copenhagen</b>	Nasdaq Copenhagen A/S, CVR no. 19042677
<b>Nasdaq Issuer Rules</b>	Nordic Main Market Rulebook for Issuers of Shares effective from 1 May 2020 as revised with effect from 1 February 2021, and including supplements relating to Nasdaq Copenhagen
<b>New Shares</b>	1,387,026,000 shares at nominal value DKK 1 issued by the Company in connection with the Offering
<b>Nordea</b>	Nordea Danmark, filial af Nordea Bank Abp, Finland, CVR no. 25992180
<b>Offering</b>	Offering of 1,387,026,000 New Shares to Existing Shareholders and to retail and institutional investors and the private placement in the United States only to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act) and the private placements to institutional investors in the rest of the world (including in accordance with Regulation S) in terms of Remaining Shares
<b>ORSA</b>	The own risk and solvency assessment based on the Solvency II principles
<b>Periods Under Review</b>	The accounting periods 2020, 2019 and 2018 together with Q1 – Q3 2021

<b>Pre-emptive Rights</b>	9 (nine) Pre-emptive Rights allocated for each Existing Share
<b>Privatsikring</b>	Forsikringselskabet Privatsikring A/S, CVR no. 25071409
<b>Prospectus</b>	This prospectus in English prepared for the purpose of the Company's offering of 1,387,026,000 New Shares at Subscription Price of DKK 7.55 per New Share with Pre-emptive Rights for Existing Shareholders dated 8 November 2021
<b>Prospectus Date</b>	8 November 2021
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended
<b>Q1 - Q3 2021 Pro Forma Financial Information</b>	The unaudited pro forma consolidated financial information of the Enlarged Group prepared and presented for illustrative purposes illustrating the impact of the Acquisition and Divestment as if the Acquisition and the Divestment had been undertaking as of 30 September 2021 for purposes of the unaudited pro forma consolidated balance sheet and on 1 January 2021 for purposes of the unaudited pro forma consolidated income statement
<b>Q1 2022</b>	The financial period from 1 January 2022 to 31 March 2022
<b>Q1 – Q3 2020</b>	The financial period from 1 January 2020 to 30 September 2020
<b>Q1 – Q3 2021</b>	The financial period from 1 January 2021 to 30 September 2021
<b>QIBs</b>	Qualified institutional buyers as defined in Rule 144A of the U.S. Securities Act
<b>Qualified Investors</b>	As defined in Article 21 of the Prospectus Regulation

<b>Regulation S</b>	Regulation S under the U.S. Securities Act
<b>Relevant Persons</b>	Persons who: (i) are investment professionals falling within Article 19(5); or (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available
<b>Relevant State</b>	Any Member State of the European Economic Area (other than Denmark) and the United Kingdom where the Prospectus Regulation apply
<b>Remaining Shares</b>	New Shares which have not been subscribed for by the Existing Shareholders before the expiry of the Subscription Period
<b>Reorganisation</b>	The steps necessary for the legal and beneficial ownership of the shares issued by Chopin Forsikring to transfer from Codan A/S to the Seller following completion of the Demerger, currently expected to include: (i) the distributions of the shares issued by Chopin Forsikring to Scandi JV Co; and (ii) the cancellation or buyback of the shares held by Seller in Scandi JV Co in consideration for the transfer of the shares issued by Chopin Forsikring to the Seller
<b>Rights Trading Period</b>	Period for trading Pre-emptive Rights running from 11 November 2021 at 9:00 a.m. CET to 24 November 2021 at 5:00 p.m. CET
<b>RPA</b>	Robotic process automation
<b>RSA</b>	RSA Insurance Group plc
<b>RSA Group</b>	RSA and its consolidated subsidiaries
<b>RSA Scandinavia</b>	Codan A/S together with its direct and indirect subsidiaries and associated entities including the branches of such subsidiaries
<b>Rule 144A</b>	Rule 144A under the U.S. Securities Act



<b>SCR</b>	The solvency capital requirement as defined in Solvency II
<b>Scandi JV Co</b>	Scandi JV Co A/S, CVR no. 41853301
<b>Scandi JV Co 2</b>	Scandi JV Co 2 A/S, CVR no. 41853271
<b>SEB</b>	Skandinaviska Enskilda Banken, Danmark, filial af Skandinaviska Enskilda Banken AB (publ), Sverige (SEB Corporate Finance), CVR no. 19 95 60 75
<b>Seller</b>	Scandi JV Co 2 A/S, CVR. no. 41853271
<b>Sellers</b>	The Seller and the Ultimate Sellers together
<b>Separation Agreement</b>	Separation agreement between Intact, Regent Bidco Limited, Tryg, Scandi JV Co and the Seller
<b>Settlement Agent</b>	Nordea Danmark, filial af Nordea Bank Abp, Finland, CVR no. 25992180
<b>Share Purchase Agreement</b>	Conditional share purchase agreement entered into on 11 June 2021 by the Company and the Sellers concerning the acquisition of the entire issued and to be issued share capital of Chopin Forsikring
<b>Shareholders</b>	Existing Shareholders and any new shareholders of the Company following the Offering
<b>Shares</b>	New Shares together with Existing Shares
<b>SME</b>	Small and medium sized enterprise
<b>Solvency II</b>	Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business on insurance and reinsurance, as amended
<b>Solvency II Regulation</b>	Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, as amended

<b>Stand-By Underwriting Agreement</b>	Stand-By Underwriting Agreement between the Company and the Managers entered into on 31 May 2021
<b>STP</b>	Straight-Through Processing
<b>Subscription Period</b>	Period for subscribing New Shares running from 15 November 2021 at 9:00 a.m. CET to 26 November 2021 at 5:59 p.m. CET
<b>Subscription Price</b>	DKK 7.55 per New Shares
<b>Target</b>	Chopin Forsikring A/S, CVR no. 41963948, a Danish regulated entity to which the Codan DK Business will be transferred through the Demerger
<b>TIA</b>	Totally Integrated Automation
<b>Transaction</b>	The acquisition of Codan's Danish business
<b>Tryg</b>	Tryg A/S, CVR no. 26460212
<b>Trygg-Hansa</b>	Until completion of the Demerger, the assets and liabilities on the general ledger of the Swedish branch of Codan Forsikring, together with Codan Forsikring's shares in CAB Group AB and Holmia Livförsäkring AB; and after completion of the Demerger, all assets and liabilities on the general ledger of the Swedish branch of Codan Forsikring, Holmia Livförsäkring A/B and RSA Scandinavia's shares in CAB Group AB, and any other assets or liabilities of RSA Scandinavia agreed between Intact and Tryg to relate to the Swedish operations of RSA Scandinavia pursuant to the terms of the Separation Agreement
<b>TSA1</b>	Transitional services agreement entered into between RSA and Codan Forsikring on 1 June 2021
<b>TSA2</b>	Transitional services agreement expected to be entered into between Chopin NewCo A/S (now: Chopin Forsikring) on one side and Tryg Forsikring A/S on the other side on the date of the Demerger

<b>UK GAAP</b>	Generally Accepted Accounting Practice in the United Kingdom
<b>UK Prospectus Regulation</b>	Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018
<b>Ultimate Sellers</b>	Tryg and Intact
<b>Underwriting Agreement</b>	Underwriting agreement between the Company and the Managers entered into on 8 November 2021
<b>US Branch</b>	The branch which until 19 October 2021 was registered under the laws of the State of New York as the United States Branch of Codan Forsikring being Codan Insurance Company, Ltd. (U.S. Branch) with registered office at 220 White Plains Road, 3rd Floor, Tarrytown, NY 10591, USA.
<b>U.S. Securities Act</b>	U.S. Securities Act of 1933, as amended
<b>VP Securities</b>	VP Securities A/S, CVR no. 21599336

#### **IV. FINANCIAL INFORMATION – CODAN DENMARK**

##### **1. CODAN DENMARK COMBINED CARVE-OUT FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2019, AND 2018**

The Executive Management of Alm. Brand A/S have today considered and approved the Combined Carve-Out Financial Statements of Codan Denmark for the financial years 1 January to 31 December 2020, 2019, and 2018.

The Combined Carve-Out Financial Statements of Codan Denmark comprises the Combined Carve-Out Statements of Financial Position for the years ended 31 December 2020, 2019, and 2018, Combined Carve-Out Statements of Profit or Loss and Comprehensive Income, Changes in Net Parent Investment and Cash Flow Statements for the years then ended, and notes to the Combined Carve-Out Financial Statements, including summary of significant accounting policies. The Combined Carve-Out Financial Statements are prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements.

In our opinion, the Combined Carve-Out Financial Statements give a true and fair view of Codan Denmark's assets, liabilities and financial position at 31 December 2020, 2019 and 2018 and of the results of Codan Denmark's operations and cash flows for the financial years 1 January – 31 December 2020, 2019 and 2018 in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements. Codan Denmark, which is carved out of Codan Forsikring A/S, consists of the assets and liabilities as described in Elements of the Combined Carve-Out Financial Statements in Note 1 to the Combined Carve-Out Financial Statements.

In addition, we confirm, that the Combined Carve-Out Financial Statements include the assets and liabilities and the result from the activities for the financial years 1 January - 31 December 2020, 2019, and 2018 covered by the Share Purchase Agreement with the Sellers.

Copenhagen, 8 November 2021

##### **Executive Management**

Rasmus Werner Nielsen

Chief Executive Officer

## **Independent auditor's report on audit of Combined Carve-Out Financial Statements**

### **To the Executive Management of Alm. Brand A/S**

#### **Opinion**

In our opinion, the accompanying Combined Carve-Out Financial Statements give a true and fair view of Codan Denmark's assets, liabilities and financial position at 31 December 2020, 2019 and 2018 and of the results of Codan Denmark's operations and cash flows for the financial years 1 January – 31 December 2020, 2019 and 2018 in accordance with the Accounting policies, including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements. Codan Denmark, which is carved out of Codan Forsikring A/S, consists of the assets and liabilities as described in Elements of the Combined Carve-Out Financial Statements in Note 1 to the Combined Carve-Out Financial Statements.

#### *Audited Combined Carve-Out Financial Statements*

The Combined Carve-Out Financial Statements of Codan Denmark comprise the Combined Carve-Out Statements of Financial Position for the years ended 31 December 2020, 2019 and 2018, Combined Carve-Out Statements of Profit or Loss and Comprehensive Income, Changes in Net Parent Investment and Cash Flow Statements for the years then ended, and notes to the Combined Carve-Out Financial Statements, including summary of significant accounting policies. The Combined Carve-Out Financial Statements are prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements.

#### **Basis for opinion**

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 Combined Carve-Out Financial Statements" section of our report.

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

#### *Independence*

We are independent of Codan Forsikring A/S 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 rules and requirements.

#### **Emphasis of Matter – Accounting policies**

We draw attention to Note 1 to the Combined Carve-Out Financial Statements, which describes the Accounting policies including Basis of preparation and Basis of combination, including the approach to and purpose of preparing them. Consequently, Codan Denmark's Combined Carve-Out Financial Statements may not necessarily be indicative of the financial performance that would

have been achieved if Codan Denmark had operated as an independent entity, nor may they be indicative of the results of operations of Codan Denmark for any future period. The Combined Carve-Out Financial Statements are prepared specifically for the purpose of the Prospectus. As a result, the Combined Carve-Out Financial Statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

### **Management's responsibility for the Combined Carve-Out Financial Statements**

The Executive Management of Alm. Brand A/S (Management) is responsible for the preparation of the Combined Carve-Out Financial Statements in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Financial Statements. These Combined Carve-Out Financial Statements contain the financial information relating to Codan Denmark. Management's responsibility includes determining the acceptability of the Accounting policies including Basis of preparation and Basis of combination in the circumstances, and for such internal control as Management determines is necessary to enable the preparation of Combined Carve-Out Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Carve-Out Financial Statements, Management is responsible for assessing Codan Denmark's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Management either intends to liquidate Codan Denmark or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Combined Carve-Out Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Combined Carve-Out 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 Combined Carve-Out Financial Statements.

As part of an audit conducted 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 Combined Carve-Out 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 of 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 Codan Denmark's internal control.
- evaluate the appropriateness of the Accounting policies including Basis of preparation and Basis of combination 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 Combined Carve-Out Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Codan Denmark'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 Combined Carve-Out 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 Codan Denmark to cease to continue as a going concern.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Codan Denmark to express an opinion on the Combined Carve-Out Financial Statements. We are responsible for the direction, supervision and performance of the 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Copenhagen, 8 November 2021

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Henrik Barner Christiansen  
State Authorised  
Public Accountant  
mne10778

Kim Moeslund Schmidt  
State Authorised  
Public Accountant  
mne34552

**Combined Carve-Out Statement of Profit or Loss for the Years Ended 31 December 2020, 2019 and 2018**

DKKm	Note	Year Ended 31 December		
		2020	2019	2018
<b>General Insurance</b>				
Gross premiums written		5,527	5,671	5,816
Ceded insurance premiums		-545	-533	-461
Change in premium provision		110	141	187
Change in profit margin and risk margin		-187	74	131
Change in reinsurer's share of premium pro- vision		143	-49	-124
<b>Premium income, net of reinsurance</b>	4	<b>5,048</b>	<b>5,304</b>	<b>5,549</b>
Claims paid		-3,832	-4,232	-3,854
Reinsurance cover received		289	203	155
Change in claims provisions		112	-373	-595
Change in risk margin		17	-86	-21
Change in the reinsurers' share of claims provision		121	124	62
<b>Claims, net of reinsurance</b>	5	<b>-3,293</b>	<b>-4,364</b>	<b>-4,253</b>
<b>Bonus and premium discounts</b>		<b>-75</b>	<b>-85</b>	<b>-104</b>
Acquisition costs		-790	-807	-777
Administration expenses		-323	-337	-355
<b>Acquisition costs and administration ex- penses</b>		<b>-1,113</b>	<b>-1,144</b>	<b>-1,132</b>
Reinsurance commissions and profit partici- pation		27	38	25
<b>Insurance operating costs, net of reinsur- ance</b>	6	<b>-1,086</b>	<b>-1,106</b>	<b>-1,107</b>
<b>Technical result</b>		<b>594</b>	<b>-251</b>	<b>85</b>
<b>Investment activities</b>				
Interest income and dividends	7	221	300	310
Value adjustments	8	-102	31	-137
Interest expenses	7	-6	-13	-21
Investment management expenses		-30	-26	-29
<b>Total investment return</b>		<b>83</b>	<b>292</b>	<b>123</b>
Return on insurance provisions		-120	-197	-31
<b>Total investment return after insurance technical interest</b>		<b>-37</b>	<b>95</b>	<b>92</b>
Other costs	9	-3	0	0
<b>Profit/loss before tax</b>		<b>554</b>	<b>-156</b>	<b>177</b>
Tax	10	-85	37	-18
<b>Profit/loss for the year</b>		<b>469</b>	<b>-119</b>	<b>159</b>

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.



**Combined Carve-Out Statement of Comprehensive Income for the Years Ended 31 December 2020, 2019 and 2018**

DKKm	Note	Year Ended 31 December		
		2020	2019	2018
<b>Profit for the year</b>		<b>469</b>	<b>-119</b>	<b>159</b>
<b>Other comprehensive income</b>				
Unrealised gain/loss operational hedge, net		-2	1	2
Operational hedge related income tax		1	0	0
Other comprehensive income		-22	28	22
<b>Other comprehensive income</b>		<b>-23</b>	<b>29</b>	<b>24</b>
<b>Total comprehensive income</b>		<b>446</b>	<b>-90</b>	<b>183</b>

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

**Combined Carve-Out Statement of Financial Position for the Years Ended 31 December 2020, 2019 and 2018**

DKKm	Note	Year Ended 31 December		
		2020	2019	2018
<b>Assets</b>				
<b>Intangible assets</b>	11	<b>622</b>	<b>659</b>	<b>741</b>
Operating equipment		29	85	-
Owner-occupied property		44	100	-
<b>Property, plant and equipment</b>	12	<b>73</b>	<b>185</b>	<b>-</b>
<b>Loans to related parties</b>		<b>500</b>	<b>1,000</b>	<b>1,000</b>
Equity investments		267	264	232
Unit trust		616	519	619
Bonds		10,084	10,576	10,701
Other lending		304	117	3
Derivative financial instruments		1	10	2
<b>Total other financial investment assets</b>		<b>11,272</b>	<b>11,486</b>	<b>11,557</b>
<b>Total investment assets</b>	13	<b>11,772</b>	<b>12,486</b>	<b>12,557</b>
Reinsurers' share of premium provisions		114	-24	26
Reinsurers' share of claims provisions		611	503	375
<b>Total reinsurers' share of provisions for insurance contracts</b>		<b>725</b>	<b>479</b>	<b>401</b>
Receivables from policyholders		886	928	981
Receivables from brokers		7	8	8
<b>Total receivables in connection with direct insurance contracts</b>		<b>893</b>	<b>936</b>	<b>989</b>
Receivables from insurance enterprises		85	62	23
Receivables from related parties	24	2,229	2,325	1,979
Other receivables		128	59	103
<b>Total receivables</b>		<b>4,060</b>	<b>3,861</b>	<b>3,495</b>
Current tax assets	14	0	51	44
Cash at bank and in hand		486	314	146

DKKm	Note	Year Ended 31 December		
		2020	2019	2018
<b>Total other assets</b>		<b>486</b>	<b>365</b>	<b>190</b>
Interest and rent receivable		70	84	90
Other prepayments and accrued income		42	33	45
<b>Total prepayments and accrued income</b>		<b>112</b>	<b>117</b>	<b>135</b>
<b>Total assets</b>		<b>17,125</b>	<b>17,673</b>	<b>17,118</b>

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

DKKm	Note	Year Ended 31 December		
		2020	2019	2018
<b>Net parent investment and liabilities</b>				
<b>Net parent investment</b>		<b>3,451</b>	<b>3,714</b>	<b>3,375</b>
Premium provisions	15	767	889	1,018
Profit margin on general insurance contracts		513	325	398
Claims provisions	16	9,070	9,093	8,502
Risk margin on general insurance contracts		795	812	728
Provisions for bonuses and premium discounts		82	84	78
<b>Total provisions for insurance contracts</b>		<b>11,227</b>	<b>11,203</b>	<b>10,724</b>
Deferred tax liability	17	393	357	417
Other provisions	18	54	17	61
<b>Total provisions</b>		<b>447</b>	<b>374</b>	<b>478</b>
<b>Deposits with ceding undertakings</b>		<b>0</b>	<b>0</b>	<b>16</b>
Debt relating to direct insurance		148	227	142
Debt relating to reinsurance		18	31	42
Amounts owed to credit institutions	19	600	0	470
Debt to related parties	24	560	1,475	1,352
Lease liability		86	185	0
Current tax liabilities	14	24	0	0
Other debt		495	421	478
<b>Other liabilities</b>	20	<b>1,931</b>	<b>2,339</b>	<b>2,484</b>
<b>Accruals and deferred income</b>		<b>69</b>	<b>43</b>	<b>41</b>
<b>Total net parent investment and liabilities</b>		<b>17,125</b>	<b>17,673</b>	<b>17,118</b>

The notes on pages F-10 to F-60 are an integral part of these Combined Carve-Out Financial Statements.

**Combined Carve-Out Statement of Changes in Net parent investment for the Years Ended 31 December 2020, 2019 and 2018**

<b>DKKm</b>	<b>Total net parent investment</b>
<b>2020</b>	
<b>Net parent investment at the beginning of the year</b>	<b>3,714</b>
Profit/loss for the year	468
<b>Other comprehensive income</b>	<b>-23</b>
Total comprehensive income	445
Net dividends/transfers to/from RSA*	-500
Branch capitalisation*	-208
<b>Changes in net parent investment in 2020</b>	<b>-263</b>
<b>Net parent investment at the end of the year</b>	<b>3,451</b>
<b>2019</b>	
<b>Net parent investment at the beginning of the year</b>	<b>3,375</b>
Profit/loss for the year	-119
Other comprehensive income	29
Total comprehensive income	-90
Net dividends/transfers to/from RSA*	142
Branch capitalisation*	287
<b>Changes in net parent investment in 2019</b>	<b>339</b>
<b>Net parent investment at the end of the year</b>	<b>3,714</b>
<b>2018</b>	
<b>Net parent investment at the beginning of the year</b>	<b>3,312</b>
Profit/loss for the year	159
Other comprehensive income	24
Total comprehensive income	183
Net dividends/transfers to/from RSA*	-406
Branch capitalisation*	286
<b>Changes in net parent investment in 2018</b>	<b>63</b>
<b>Net parent investment at the end of the year</b>	<b>3,375</b>

In the Demerger Agreement it has been agreed that capital adjustments to Codan Denmark in amount of DKK -246 million, will be made if and when the demerger is approved and registered by the authorities. These capital adjustments are not recognized in the Combined Carve-Out Financial Statements. The capital adjustments are included in the pro forma balance sheet as at 31 December 2020 as presented in this Prospectus Part I, section 13.8 – “Unaudited Pro Forma Financial Information” – “Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020”.

\* Net dividends/transfers to/from RSA and Branch capitalisation are explained in Note 1 Accounting policies under the section Net Parent Investment

**Combined Carve-Out Cash Flow Statement for the Years ended 31 December 2020, 2019 and 2018**

DKKm	Note	Year Ended 31 December		
		2020	2019	2018
<b>Cash from operating activities</b>				
Premiums		5,451	5,592	5,760
Changes in insurance debtors		43	53	11
Claims paid		-3,832	-4,232	-3,854
Change in insurance payables		-79	85	101
Ceded business		-256	-330	-306
Change in reinsurance receivables/payables		-37	-49	-14
Costs		-1,115	-1,132	-1,136
Depreciation and amortisation		165	182	121
Change in other debt and other amounts receivable		22	0	-134
<b>Cash flows from / used in insurance activities</b>		<b>362</b>	<b>169</b>	<b>549</b>
Interest received		235	306	301
Interest paid		-6	-13	-21
Income taxes paid		-1	-20	-15
<b>Cash flows from operating activities</b>		<b>590</b>	<b>442</b>	<b>814</b>
<b>Investment</b>				
Purchase of equity investments and unit trust		-258	-131	-456
Sale of equity investments and unit trust		96	234	326
Purchase of bonds		-3,074	-3,694	-3,259
Sale of bonds		3,243	3,927	3,365
Purchase of Other loans and other investment assets		-201	-2,325	0
Sale of Other loans and other investment assets		279	2,080	0
Acquisition of intangible assets		-22	-38	-76
<b>Cash flows from / (used in) investments</b>		<b>63</b>	<b>53</b>	<b>-100</b>
<b>Financing</b>				
Net dividends/transfers to/from RSA*	1	-500	142	-400
Branch capitalisation*	1	-208	287	286
Change in amounts owed to/from related parties		-819	-224	-1,120
Lease payments		-54	-62	0
Repayment of loans by related parties	23	500	0	0
Proceeds from credit institutions	19	705	1,664	3,551
Repayments to credit institutions	19	-105	-2,134	-3,331
<b>Cash flows from / (used in) financing</b>		<b>-481</b>	<b>-327</b>	<b>-1,014</b>
<b>Change in cash and cash equivalents</b>		<b>172</b>	<b>168</b>	<b>-300</b>
Cash and cash equivalents 1 January		314	146	446
<b>Cash and cash equivalent 31 December</b>		<b>486</b>	<b>314</b>	<b>146</b>

\* Net dividends/transfers to/from RSA and Branch capitalisation are explained in Note 1 Accounting policies under the section Net Parent Investment

## **Notes to the financial statements**

### **1. Accounting policies**

#### **Background to the Combined Carve-Out Financial Statements**

On 18 November 2020, Tryg A/S ("Tryg") announced that it had agreed to the terms of a proposed transaction with Intact Financial Corporation ("Intact") and RSA Insurance Group plc ("RSA") pursuant to which the intention is for:

- Intact, through a wholly owned subsidiary, to acquire the entire issued and to be issued share capital of RSA through a recommended takeover of RSA under the UK Takeover Code;
- The subsidiaries of RSA that operate in Denmark, Norway and Sweden ("RSA Scandinavia") to be separated from the RSA (the "Scandinavia Carve-Out") upon completion of the acquisition.
- The acquisition and the Scandinavian Carve-Out was completed on 1 June, 2021;
- Following the completion and the Scandinavia Carve-Out, a demerger (the "Demerger"), is to take place to deliver Trygg-Hansa and Codan Norway to Tryg, and the Danish business to a newly established Danish wholly-owned limited liability subsidiary, Chopin Forsikring A/S ("Chopin Forsikring), of Scandi JV Co with the Danish business of RSA Scandinavia (being Codan Denmark – as defined in the following paragraph) being co-owned by Intact and Tryg on a 50/50 economic basis with Codan Denmark remaining completely separate and independent of Tryg.

On 11 June 2021, Alm. Brand A/S announced that it had agreed to the terms of a proposed transaction with Intact and Tryg pursuant to which the intention is for:

- The Company to acquire the entire issued shares in Chopin Forsikring which will be the legal entity holding of Codan Denmark post the Demerger expected finalized in Q1 2022.

#### **Elements of the Combined Carve-Out Financial Statements**

Codan Denmark, which is carved-out of Codan Forsikring A/S and combined, consists of:

- all assets and liabilities of the Danish branch and the US Branch of Codan Forsikring A/S, except for the investments in the Trygg-Hansa branch, in Holmia Livförsäkring AB, in the Codan Norway branch, in CAB Group AB and derivative financial instruments used for hedging the net investment in Trygg-Hansa,
- Forsikringsselskabet Privatsikring A/S, the Danish incorporated entity wholly owned by Codan Forsikring A/S,
- all assets and liabilities on the general ledger of the Swedish Marine business of Codan Forsikring A/S; and

- specific tangible and intangible IT assets transferred in 2020 from the Swedish and Norwegian business of Codan Forsikring A/S agreed upon in the Separation Agreement. This includes both owned and leased assets capitalized under IFRS16.

### **Basis of preparation**

Codan Denmark has not previously constituted a separate legal entity or group and hence historical financial statements have not previously been presented for the combined carve-out operations. Accordingly, the 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark, which have been prepared specifically for the purpose of meeting the requirements of the EU Prospectus Regulation, are prepared on a basis that combines the assets and liabilities, the results of operations, and cash flows of Codan Denmark by applying principles underlying the consolidation procedures under IFRS 10 (Consolidated Financial Statements).

The Combined Carve-Out Financial Statements do not constitute a set of general-purpose financial statements under IAS 1, because Codan Denmark does not constitute a legal entity or group as defined by IFRS 10 which as a general principle requires a parent entity to prepare consolidated financial statements under the concept of 'control'. Thus, the Combined Carve-Out Financial Statements do not include an unreserved statement of compliance with IFRS and are not considered first time IFRS financial statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The Codan Denmark Combined Carve-Out Financial Statements have been prepared for illustrative purposes only and address a hypothetical situation; they therefore do not necessarily reflect the actual financial position, results of operations or cash flows of Codan Denmark that would have been realised had Codan Denmark been a separate entity during the periods under review nor the future results of Codan Denmark as it will exist upon completion of the Demerger.

The acquisition of Codan Denmark will be made through acquisition of the legal entity Chopin Forsikring, that holds the necessary license by the Danish FSA for conducting insurance business, to which the operations of Codan Denmark will be injected through the Demerger of Codan Forsikring.

The combined carve-out financial information for Codan Denmark has been extracted from the consolidated financial statements of RSA for 2020, 2019 and 2018, respectively. The financial statements of RSA are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and as applied in accordance with the provisions of the UK Companies Act 2006.

The combined carve-out financial statements of Codan Denmark for 2020, 2019 and 2018, have been prepared in accordance with IFRS as adopted by EU and the Danish Executive Order on adoption of IFRS, except for:

- IFRS 10 (Consolidated Financial Statements) — IFRS 10 establishes a general principle that parent entities should present consolidated financial statements when it controls one or more entities. Codan Denmark has not previously constituted a legal group and consequently, Codan Denmark is not permitted by IFRS 10 to present consolidated financial statements. The combined carve-out financial statements have though been prepared by applying the underlying

principles of IFRS 10 for consolidation procedures. Furthermore, a consequence of segregation of legal entities included in the combined group disclosures on equity and profit or loss of subsidiaries have not been provided as required by IFRS 12 (Disclosure of Interests in Other Entities).

- IAS 10 (Events After the Reporting Period) — Post balance sheet events have only been incorporated in these combined carve-out financial statements up to the date of signature of the RSA Insurance Group plc consolidated financial statements for 2020, 2019 and 2018 respectively, since the combined carve-out financial statements have been prepared under the extraction approach. Thus, estimates have not been updated subsequent to the date of the original signing of the 2020, 2019 and 2018 consolidated financial statements of the RSA Group.

Furthermore, the following disclosure requirement in the IFRS standards have not been complied with in all aspects as the information is not readily available for Codan Denmark:

- Goodwill impairment assessments and the disclosures are derived from the consolidated financial statements of the RSA Group. Therefore, certain quantification of parameters and historical data of Codan Denmark as the basis for the projection of future cashflows has not been disclosed as required by IAS 36, Impairment of Assets, paragraph 134(d)(ii).
- As Codan Denmark does not constitute a legal group it does not manage risk and capital on a stand-alone basis and does not have specific solvency requirements that are generally applicable to groups or legal entities. Thus, disclosures of risk and capital management are presented in note 2 to the extent such information is available but not all disclosures of risk and capital management required by IAS 1, IFRS 4 and IFRS 7 can be provided for Codan Denmark on a stand-alone basis.
- Information on related party transactions required by IAS 24, Related Party Disclosures, have been considered based on legal entities within RSA Scandinavia rather than the branches and business areas on which the combined carve-out financial statement for Codan Denmark is derived. Related party transactions of those legal entities along with remuneration of key management personnel are disclosed but no artificial split between perimeters is made.
- Derivative contracts are entered into by legal entities within RSA Scandinavia and have been allocated to Codan Denmark if they are direct attributable to Codan Denmark, but the underlying systems do not support the disclosure requirements on the segregated basis, thus the combined carve-out financial statements do not include all disclosures on derivatives required by IFRS 7, Financial Instruments: Disclosures. Similarly, disclosure of valuation techniques used in measuring level 2 and level 3 fair values and the significant unobservable inputs used has not been provided in the combined carve-out financial statement for Codan Denmark.
- As long-term incentive plans offered to employees of Codan Denmark are not linked explicit to equity instruments of Codan Denmark but to equity instruments of the RSA Group the combined carve-out financial statements do not include disclosures on long-term incentive plans as required by IFRS 2, Share-based Payment.

- Disclosures of audit fees and average number of employees required by the Danish Statutory Order on adoption of IFRS have not been provided in the combined carve-out financial statements as this information is not readily available to Codan Denmark.
- As the combined carve-out financial statements represent segregation of legal entities within RSA Scandinavia the split of equity reserves into reserve line items has not and cannot be performed on a relevant and reliable basis.

As required by the EU Prospectus Regulation, the Codan Denmark Combined Carve-Out Financial Statements have been adjusted to apply accounting policies that are consistent with those applied by the Alm. Brand Group, and certain adjustments have therefore been made as follows:

- Financial assets classified as available for sale (AFS) in the financial statements of RSA are measured at fair value through other comprehensive income. The Codan Denmark Combined Carve-Out Financial Statements measure these financial assets at fair value through profit and loss.
- Claims and premium provisions have been adjusted to reflect estimates as required by Danish regulation, which is in accordance with the principles of Solvency II. Discounting is based upon the yield curve published by EIOPA. For all periods under review matching and volatility adjustments have been made.
- Deferred acquisition costs, which are capitalised in the financial statements of RSA, have been expensed in the Codan Denmark Combined Carve-Out Financial Statements
- Written premium is recognised by RSA in the period in which the policy is legally bound. The Codan Denmark Combined Carve-Out Financial Statements recognise written premium at the earlier of the premium due date, the premium received date or inception of coverage. This has no impact on the results of Codan Denmark as the additional written premium recognised by the RSA Group is on unaccepted business and therefore unearned.
- For financial instruments trade date is used as the date of recognition in the financial statements of RSA whereas settlement date has been used in the Codan Denmark Combined Carve-Out Financial Statements.
- Deferred tax is not recognised on the contingency fund provision in the financial statements of RSA. Deferred tax on the contingency fund has been recognised in the Combined Carve-out Financial Statements by applying the applicable tax rate to the provision.
- The presentation of the Codan Denmark Combined Carve-Out Financial Statements is in accordance with the executive order number 1442 of 3 December 2018 on Financial Reports for Insurance Companies and Lateral Pension Funds issued by the Danish FSA, which differs to the financial statement presentation of the RSA Group. Both choices of presentation are within the framework of IFRS as adopted by the EU.

In the Demerger Agreement it has been agreed that capital adjustments to Codan Denmark will be made if and when the Demerger is approved and registered by the Authorities. These capital ad-



justments are not recognised in the combined carve-out financial statements. The capital adjustments are included in the pro forma balance sheet as at 31 December 2020 as presented in this Prospectus Part I, section 13.8 – “Unaudited Pro Forma Financial Information” – “Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020”.

### **Basis of combination**

The following accounting and other principles have also been applied in the preparation of the Codan Denmark Combined Carve-Out Financial Statements:

- Intercompany transactions within Codan Denmark have been eliminated from the Codan Denmark Audited Combined Carve-Out Financial Statements. Transactions with other RSA Group entities previously considered as intercompany transactions by RSA have been treated as transactions with related parties for purposes of the Codan Denmark Combined Carve-Out Financial Statements.
- Direct and overhead costs are centrally managed by the Danish branch of Codan Forsikring and include services such as finance and accounting, information technology and human resources. Centrally provided services have historically been recharged from the Danish branch of Codan Forsikring to individual branches and legal entities within RSA Scandinavia. These historically recharges are included in the Codan Denmark Combined Carve-Out Financial Statements. These cost allocations were affected by arrangements that existed in RSA Group and therefore do not necessarily reflect the representative position of Codan Denmark had it been a separate entity during the periods under review nor the position that will prevail upon completion of the Transaction.
- Codan Denmark have neither in the past constituted a separate legal group nor presented any stand-alone consolidated financial statements. Therefore it is not meaningful to present share capital or an analysis of reserves. Net parent investment of Codan Denmark is made up of combined carve-out assets less combined carve-out liabilities that have been identified as belonging to the operations and entities being combined (net parent investment). As the combined carve-out operations and entities do not constitute one legal entity or group, net parent investment is theoretical and cannot be reconciled to information of identifiable legal entities.
- Trygg-Hansa and Codan Norway are branches of Codan Forsikring and are not included in the Combined Carve-Out Financial Statements and has been carved out without any compensation to Codan Denmark. The resulting adjustment has been recognised in net parent investment on 1 January 2018 in the Codan Denmark Combined Carve-Out Financial Statements.
- Codan Denmark participates in the share-based incentive plans established by RSA with members of the board of management and material risk takers eligible for such schemes. The Codan Denmark Combined Carve-Out Financial Statements include employee cost allocations related to these participations as part of allocation of centrally managed costs as described above. These cost allocations may not be indicative of future expenses that will be incurred through incentive schemes for key personnel upon completion of the Transaction.

- Intercompany balances and loans between Codan Denmark and other entities within the RSA Group are presented as receivables from related parties and debt to related parties.
- Derivatives contracts are entered into by legal entities within RSA Scandinavia and have been allocated to Codan Denmark in the Codan Denmark Combined Carve-Out Financial Statements if they are directly attributable to Codan Denmark. Derivatives financial instruments allocated to The Codan Denmark Combined Carve-Out Financial Statements comprise foreign exchange contracts and repurchase contracts.
- The Income tax charge included in the Codan Denmark Combined Carve-Out Financial Statements reflects the aggregate of the income tax charges actually incurred by Codan Denmark during the periods under review. The tax positions include the benefit, reliefs and charges which arose as being part of the RSA Group are therefore not necessarily representative of what the tax position will be under separate ownership. Tax calculated on adjustments applied in the preparation of the Codan Denmark Combined Carve-Out Financial Statements is based on the Danish tax rate for the periods under review (22%).

The functional currency of each branch within Codan Denmark is translated into DKK, unless otherwise specified.

#### **Material changes in accounting policies since 1 January 2018**

##### *IFRS 16 'Leases'*

IFRS 16 'Leases' has been adopted from the effective date of 1 January 2019 applying the modified retrospective approach. Under this method, the cumulative effect of initially applying the standard is recognised on 1 January 2019. Right-of-use assets and lease liabilities have been recognised for those leases previously classified as operating leases, except for short-term leases and leases of low value assets. The right-of-use assets have been recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The comparative information has not been restated. All leases have been classified as operating leases 31 December 2018. The implementation of IFRS 16 has no significant impact on either profit or loss or net parent investment.

The total impact on the balance sheet 1 January 2019, using the modified retrospective approach, was:

**(DKK m)**

**Assets**

Equipment (ROU)	109
Land & Building (ROU)	14
<b>Total assets</b>	<b>123</b>

**Liabilities**

Lease liability	123
<b>Total net parent investment and liabilities</b>	<b>123</b>

*IFRIC 23 'Uncertainty over Income Tax Treatments'*

IFRIC 23 'Uncertainty over income tax treatment' specifies how to reflect the effect of uncertainty in accounting for income taxes where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a tax treatment. The interpretation has not had a significant impact on the Combined Carve-Out Financial Statements.

*Other standards*

There have not been any other new or amended standards and interpretations that have significantly affected the Combined Carve-Out Financial Statements of Codan Denmark.

**Accounting standards in issue but not yet effective with effect on Codan Denmark**

*IFRS 9 'Financial Instruments'*

IFRS 9 'Financial Instruments' has been issued to replace IAS 39 'Financial Instruments: Recognition and Measurement' and primarily changes the classification and measurement of financial assets. In preparing the Combined Carve-Out Financial Statements the option available to insurance companies to defer adoption of IFRS 9 to 1 January 2023 alongside IFRS 17 'Insurance Contracts' has been applied. The implementation of IFRS 9 (Financial Instruments) is not expected to have a significant impact on Codan Denmark's statement of financial position or profit and loss as all financial instruments are measured at fair value through profit and loss.

*IFRS 17 'Insurance Contracts'*

IFRS 17 'Insurance Contracts' is expected to enter into force for the accounting year commencing 1 January 2023. The impact of IFRS 17 (Insurance Contracts) is currently being assessed in a structured and formal manner and is expected to be concluded in due course ahead of the implementation date.

### *Other standards*

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. Management has evaluated these changes, and none are expected to have a significant impact on the Combined Carve-Out Financial Statements.

### **Significant accounting estimates and judgements**

The preparation of the Combined Carve-Out Financial Statements requires the use of certain critical accounting estimates and requires management to exercise its judgement in application of accounting policies. Estimates are based on Management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates.

Estimates made in preparing the financial information reflect the facts and circumstances which existed at the time such estimates were made.

The most significant estimates are as follows:

- Valuation of insurance contract liabilities: the eventual outcome of the claims that have occurred by the end of the reporting period but remain unsettled, please refer to note 16, Claims provisions, for additional information;
- Fair value of financial assets and liabilities: measurement of financial assets and liabilities that rely on use of significant unobservable inputs, please refer to note 13, Financial assets and liabilities, for additional information;
- Recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised, please refer to note 17, Deferred tax, for additional information; and
- Measurement and impairment of goodwill and intangible assets: key assumptions applied in the valuation of the recoverable amount and the estimation of useful economic life, please refer to note 11, Intangible assets, for additional information.

Additional information on estimation techniques and assumptions is presented in the relevant note in order to provide context to the figures presented.

### **Foreign currency translation**

Except for the US Branch of Codan Forsikring the functional currencies used by Codan Denmark is DKK. The functional currency used by the US Branch is USD.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Exchange differences resulting from translation at the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognised in the combined carve-out statements of profit or loss as value adjustments.

Receivables, payables, other monetary items as well as non-monetary items recognised on the basis of the fair value in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the time when such receivables or payables arose or were recognised in the latest annual report is recognised in the combined carve-out statements of profit or loss as value adjustments.

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly in net parent investment as part of the translation reserve. The translation reserve is not presented separately in the Statement of Changes in Net parent investment for the reasons set out in the Basis of preparation.

## **Income statement**

### **Premiums**

Premium income represents gross premiums written during the year, net of reinsurance premiums and adjusted for changes in premium provisions and changes in Profit- & Risk Margin, corresponding to an accrual of premiums to the risk period of the policies, and in the reinsurers' share of the premium provisions.

Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract.

### **Claims**

Claims consists of claims paid during the year adjusted for changes in claims provisions less the reinsurers' share. In addition, the item includes run-off gains/losses in respect of previous years. The portion of the increase in provisions which can be ascribed to unwinding is transferred to Return on value adjustment on technical provision.

Claims are shown inclusive of direct and indirect claims handling costs, including costs of inspecting and assessing claims, costs to combat and mitigate damage and other direct and indirect costs associated with the handling of claims incurred.

Changes in claims provisions due to changes in yield curve and exchange rates are recognised as a price adjustment.

### **Bonus and premium discounts**

Bonus and premium discounts represent anticipated and refunded premiums to policyholders, where the amount refunded depends on the claims record, and for which the criteria for payment have been defined prior to the financial year or when the insurance was taken out.

### **Insurance operating costs**

Insurance operating costs represent acquisition costs and administration expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Underwriting commission is recognised when a legal obligation occurs. Administration expenses are all other expenses attributable to the administration of the insurance portfolio. Administration expenses are accrued to match the financial year.

#### *Long-term incentive plan*

Long-term incentive plan (Performance Share Plan) schemes are operated for key employees based on various performance targets. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted. The fair value is determined at the grant date. At each balance sheet date, Codan Denmark revises the estimates of the number of options expected to be exercised. Codan Denmark recognises the impact of the revision of original estimates, if any, in the combined carve-out statements of profit or loss and a corresponding adjustment to net parent investment over the remaining vesting period.

### **Investment activities**

Interest and dividends represent interest earned and dividends received during the financial year. Realised and unrealised investment gains and losses, including gains and losses on derivative financial instruments, value adjustment of investment property, foreign currency translation adjustments and the effect of movements in the yield curve used for discounting, are recognised as value adjustments.

Investment management charges represent expenses relating to the management of investments including salary and management fees on the investment area.

### **Other costs**

Other costs include expenses which cannot be ascribed to Codan Denmark's insurance portfolio or investment assets, including impairment of goodwill.

### **Other comprehensive income**

In a separate section named "Other comprehensive income", following the income statement, the below listed value changes are recognised:

- Changes in value of hedges instruments which relates to hedging of fluctuations in future cash flow; and
- Changes in value of hedges instruments which relates to hedging of currency exposure on investments in foreign entities.

For each item recognised under other comprehensive income the related tax effects are recognised as separate items under Other comprehensive income as well.

## **Statement of financial position**

### **Intangible assets**

#### *Goodwill*

Goodwill is acquired in connection with acquisition of business. Goodwill is calculated as the difference between the cost of the undertaking and the fair value of acquired identifiable assets, liabilities, and contingent liabilities at the time of acquisition. Goodwill is allocated to the cash generating units under which management manages the investment and is recognised under intangible assets. Goodwill is not amortised but is tested for impairment at least once per year.

#### *Customer lists*

Customer lists acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment losses. The amortisation period for customer lists is five years.

#### *Internal IT Development*

Development projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and development opportunities can be demonstrated, and where the intention is to produce or use the project outcome, are recognised as intangible assets, provided that the cost can be determined reliably and that there is sufficient certainty that the asset will generate economic benefits exceeding costs.

Costs include materials and services attributable to development activities.

All other costs associated with developing or maintaining computer software are recognised in the income statement as incurred.

Completed development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The amortisation period is usually three years but can be five to seven years. Development projects in progress are measured at cost less any impairment losses.

Development activities include the development of IT programs and platforms as well as major strategic efforts within insurance systems.

### **Property, plant and equipment**

Equipment is measured at cost less accumulated depreciation and impairment losses, if any. Cost comprises the acquisition cost and costs directly attributable to the acquisition up to the date when the asset is available for use. Subsequent costs are included in the carrying amount when it is

probable that they will result in future economic benefits and can be measured reliably. Costs of normal repairs and maintenance are charged to the income statement.

The basis of depreciation is the cost less the residual value and any impairment losses, and depreciation is charged on a straight-line basis over the estimated useful lives of the assets, which are mainly in the range from three to ten years. The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on assets disposed of or scrapped are determined by comparing proceeds with the carrying amount. Gains and losses are recognised in the income statement.

## **Leasing**

*Year ended 31 December 2018*

Assets held under finance leases are recognised on equal terms with other equipment from the time when the Company is entitled to use the leased asset. On initial recognition, the asset is measured at the lower of the fair value and the present value of the agreed lease payments. When calculating the present value, the interest rate implicit in the lease is used as discount rate or an approximate value for this. Changes in present values during the financial year are recognised as financial expenses.

The capitalised remaining lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is charged to the income statement as incurred.

Assets held under operating leases are not recognised in the balance sheet, and lease payments are re-recognised in the combined carve-out statements of profit or loss on a straight-line basis over the period of the lease.

*Year(s) ended 31 December 2019, 2020*

*Right-of-use-assets (Operating Equipment & Owner-occupied property)*

At inception of a contract, contracts are assessed as to whether a contract is, or contains, a lease. This has the following prerequisites:

- The underlying asset is identifiable;
- Codan Denmark has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use;
- Codan Denmark has the right to direct the use of the asset.
- A right-of-use asset (ROU asset) and a corresponding lease liability with respect to all lease agreements in which Codan Denmark is lessee, excluding short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.



- At inception or on reassessment of a contract that contains lease components, the consideration in the contract is allocated to each lease component based on their relative stand-alone prices.
- Right-of-use asset and lease liability are recognised at the lease commencement date. The ROU asset is initially measured the cost, which comprises the initial amount of the lease liability adjusted for;
  - lease payments made at or before the commencement date;
  - any initial direct cost incurred;
  - estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset;
  - lease incentives received; and
- ROU assets are tested for impairment.

#### *Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments. A corresponding adjustment is made to the carrying amount of the ROU asset.

#### **Impairment test for intangible assets, property, plant and equipment**

Operating equipment and intangible assets are assessed at least once per year to ensure that the depreciation method and the depreciation period that is used are connected to the expected economic lifetime. This also applies to the salvage value. Write-down is performed if impairment has been demonstrated.

Goodwill is tested annually for impairment, or more often if there are indications of impairment, and impairment testing is performed for each cash-generating unit to which the asset belongs. The present value is normally established using budgeted cash flows based on business plans. The business plans are based on past experience and expected market developments.

#### **Total investment assets**

Total Investment assets comprise loans to related parties, equity investments, unit trust, bonds, other lending and derivative financial instruments.

Investment assets include financial assets at fair *with value adjustments* recognised in the combined carve-out statements of profit or loss. 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.

Financial assets measured at fair value with recognition of value adjustments in the combined carveout statements of profit or loss comprise assets that form part of a trading portfolio and financial assets designated at fair value with value adjustment via the combined carve-out statements of profit or loss.

*Financial assets at fair value with value adjustments recognised in combined carve-out statements of profit or loss*

Financial assets are recognised at fair value on initial recognition if they are entered in a portfolio that is managed in accordance with fair value. Derivative financial instruments are similarly classified as financial assets held for sale unless they are classified as security.

Realised and unrealised profits and losses that may arise because of changes in the fair value for the category financial assets at fair value are recognised in the combined carve-out statements of profit or loss in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, or if they have been transferred, and Codan Denmark has also transferred substantially all risks and rewards of ownership. Financial assets are recognised and derecognised on a trade date basis, the date on which Codan Denmark commits to purchase or sell the asset.

The fair values of quoted securities are based on stock exchange prices at the statement of financial position date. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using valuation techniques. These include the use of similar recent arm's length transactions, reference to other similar instruments or discounted cash flow analysis.

*Derivative financial instruments*

For financial derivatives, which do not qualify for hedge accounting, changes in fair value are recognised in the combined carve-out statements of profit or loss.

The fair value of financial derivatives is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent. Financial derivatives comprise foreign exchange contracts, repo contracts and inflation swaps.

**Total reinsurers' share of provisions for insurance contracts**

*Reinsurers' share of premium provisions*

Reinsurers' share of premium provision includes Codan Denmark's rights under reinsurance contracts calculated as the premiums ceded to reinsurers less that part of the ceded premiums relating to the time prior to the balance sheet date. The ceded premiums are the premiums paid by Codan Denmark for reinsurance contracts. The asset is tested for impairment and written down to any lower recoverable amount.

### *Reinsurers' share of claims provisions*

Contracts entered into with reinsurers under which Codan Denmark is compensated for losses on one or more contracts issued by Codan Denmark and that meet the classification requirements for insurance contracts are classified as reinsurers' share of provisions for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. The benefits to which Codan Denmark is entitled under its reinsurance contracts held are recognised as assets and reported as reinsurers' share of provisions for insurance contracts.

Amounts receivable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Changes due to unwinding and changes due to changes in the yield curve are recognised as Return on value adjustment on technical provision. Changes due to or foreign exchange rates are recognised as value adjustments.

Codan Denmark continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, Codan Denmark reduces the carrying amount of the reinsurance asset to its recoverable amount. Impairment losses are recognised in the combined carve-out statements of profit or loss.

Earned premiums, claims incurred, and technical provisions are shown on a gross basis in the combined carve-out statements of profit or loss and the balance sheet, i.e., gross of reinsurance.

### **Receivables**

Total receivables comprise accounts receivable from policyholders, receivables from brokers, receivables from insurance enterprises, receivables from related parties, other receivables as well as other accounts receivable.

Receivables that arise because of insurance contracts are classified in this category and are reviewed for impairment as a part of the impairment test of accounts receivable.

Receivables are recognised initially at fair value and are subsequently assessed at amortised cost. The combined carve-out statements of profit or loss includes an estimated reservation for expected unobtainable sums when a clear indication of asset impairment is observed. The reservation entered is assessed as the difference between the carrying amount of an asset and the present value of expected future cash flows.

### **Other assets**

Other assets include current tax assets and cash at bank and in hand. Current tax assets are receivables concerning tax for the year adjusted for on-account payments and any prior-year adjustments. Cash at bank and in hand is recognised at nominal value at the statement of financial position date.

## **Prepayments and accrued income**

Prepayments and accrued income comprise interest and rent receivable and other prepayments and accrued income and include expenses paid in respect of subsequent financial years and interest receivable. Accrued underwriting commission relating to the sale of insurance products is also included.

## **Net Parent Investment**

Codan Denmark have neither in the past constituted a separate legal group nor presented any stand-alone consolidated financial statements. Therefore, net parent investment of Codan Denmark is made up of combined carve-out assets less combined carve-out liabilities that have been identified as belonging to the operations and entities being combined. As the combined carve-out operations and entities do not constitute one legal entity or group, net parent investment is theoretical and cannot be reconciled to information of identifiable legal entities.

### *Contingency fund reserves*

Contingency fund reserves are recognised as a separate reserve under net parent investment. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. Deferred tax on the contingency fund reserves is allocated.

### *Branch capitalization*

Capital is allocated to Trygg-Hansa branch and Codan Norway branch following the methodology set out in the OECD Report on attribution of profits to permanent establishments. Capital requirements are calculated for the individual branches and capital is transferred from and to the branches aligning the equity of the branches to the capital requirements via the intercompany balances against the branches.

The intercompany balances arising from the branch capitalizations are subject to interest calculations.

### *Net dividends/transfers to/from RSA*

Net dividends/transfers to/from RSA includes dividend/transfers received from Trygg-Hansa branch and Codan Norway branch and dividend received from subsidiaries and dividend paid to Codan A/S.

## **Provision for insurance contracts**

### *Premium provisions*

Premiums written are recognised in the combined carve-out statements of profit or loss (premium income) proportionally over the period of coverage and, where necessary, adjusted to reflect any time variation of the risk. The portion of premiums received on in-force contracts that relates to

unexpired risks at the statement of financial position date is reported as premium provisions. Premium provision is recognised when the insurer is bound. Premium provisions are calculated as present value of the future cash flows related to the remaining risk periods on already incepted insurance contracts and including bound but not incepted contracts not due for payment by the policyholder.

The cash flows include claims payments, direct and indirect expenses and (remaining) premium payments that the Company according to its best estimate is expected to incur. Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract.

For both claims and premium provision the present value assessment of the cash flows (discounting) is based upon the yield curve published by EIOPA. Matching and volatility adjustments are made.

The part of the provision that is attributable to the expected future profit on the provision for premium provision shall be recognised in "Profit margin on insurance contracts". A risk margin shall be recognised for the premium provision to cover the uncertainty regarding claims that occur after the balance sheet date. The risk margin is recognised in the balance sheet item "Risk margin on general insurance contracts".

The difference between the premium provisions gross, at the beginning and at the end of the accounting period is recognised as change in the premium provision. However, the proportion of the balance attributable to currency translation differences is recognised in the income statement as "Return on and value adjustments on technical provisions".

Return on value adjustment on technical provision are calculated as the proportion of the changes to the present value of the premium provisions attributable to changes in the yield curve used for discounting and attributable to the current revaluation of the present value of the provision until the expected settlement date (impact of unwind of discount).

#### *Risk margin on general insurance contracts*

Risk Margin is the risk premium that a third party in principle would demand to take over the insurance liabilities and associated risk. We calculate using a cost of capital approach with a yearly update at Q3 using latest full year information.

The difference between the risk margin related to the premium provision, at the beginning and at the end of the accounting period is recognised as "Change in profit margin and risk margin". The difference between the risk margin related to the technical provision, at the beginning and at the end of the accounting period is recognised as "Change in risk margin".

#### *Profit margin on general insurance contracts*

Profit margin on insurance contracts is recognised as the expected future profit on bound, but not yet incepted insurance contracts, and incepted insurance contracts with remaining risk period,

meaning the insurance contracts covered by the premium provision. In case the future claims payments and risk margin for a line of business are expected to exceed the future premiums, the profit margin has been set to zero.

Profit margin on insurance contracts is measured as the difference between premiums related to bound but not yet incepted insurance contracts and incepted insurance contracts with remaining risk period and the expected claims payments included in the premium reserve. The difference between the profit margin, at the beginning and at the end of the accounting period is recognised as “Change in profit margin and risk margin”.

Claims and claims handling costs are expensed in the combined carve-out statements of profit or loss as incurred based on the estimated liability for compensation owed to policyholders or third parties sustaining losses at the hands of the policyholders. They include direct and indirect claims handling costs that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to Codan Denmark. Claims provisions are estimated using the input of assessments for individual cases reported to Codan Denmark and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The provisions include claims handling costs.

#### *Claims provisions*

Claims provisions are estimated using previous claims experience with similar cases, historical payment trends, the volume and nature of the insurance underwritten by Codan Denmark and current specific case reserves. Also considered are developing loss payment trends, the potential long term significance of large events, and the levels of unpaid claims, legislative changes, judicial decisions and economic, political and regulatory conditions.

Codan Denmark uses a number of commonly accepted actuarial projection methodologies to determine the appropriate provision to recognise. These include methods based upon the following:

- The development of previously settled claims, where payments to date are extrapolated for each prior year;
- Estimates based upon a projection of claims numbers and average cost;
- Notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years;
- Expected loss ratios;
- Bornhuetter-Ferguson method, which combines features of the above methods; and
- Bespoke methods for specialist classes of business, a frequency/severity model based upon transition matrices between the various stages of a claim.

In selecting the method and estimate appropriate to any one class of insurance business, Codan Denmark considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year.

Individually large and significant claims are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of major claims (single claims exceeding DKK 5 million).

Claims provisions are discounted based upon the Solvency II yield curve published by EIOPA. Matching adjustment and volatility adjustments are made.

#### *Provisions for bonuses and premium discounts*

The premium amounts to be repaid to policyholders are recognized as provision for bonuses and premium discounts and are determined on the basis of the claims experience during the financial year for the individual insurance contracts or a portfolio of insurance contracts based on criteria laid down prior to the beginning of the accounting period or when the insurance contract is taken out. Provision for the bonuses and premium discounts includes the expected amounts payable to policyholders based on their claims experience during the accounting period.

#### **Current and deferred tax liability**

Codan Denmark expenses current tax according to the tax laws of the jurisdictions in which it operates. Current tax liabilities and current tax receivables are recognised in the statement of financial position as estimated tax on the taxable income for the year, adjusted for change in tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured according to the statement of financial position liability method on all timing differences between the tax and accounting value of assets and liabilities. Deferred income tax is measured using the tax rules and tax rates that apply in the relevant countries on the statement of financial position date when the deferred tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets, including the tax value of tax losses carried forward, are recognised to the extent that it is probable that future taxable profit will be realised against which the temporary differences can be offset.

Deferred income tax is provided on temporary differences concerning investments, except where Codan Denmark controls, when the temporary difference will be realised, and it is probable that the temporary difference will not be realised in the foreseeable future.

#### **Other provisions**

Provisions are recognised when Codan Denmark has a legal or constructive obligation because of an event prior to or at the statement of financial position date, and it is probable that future economic benefits will flow out of Codan Denmark. Provisions are measured at the best estimate by management of the expenditure required to settle the present obligation.

## **Other liabilities**

Other liabilities comprise debt relating to direct insurance, debt relating to reinsurance, amounts owed to credit institutions, debt to related parties, lease liability, current tax liability and other debt.

Amounts owed to credit institutions are initially recognised at fair value, which usually corresponds to the nominal value, and are subsequently stated at amortised cost. Other financial liabilities are measured at amortised cost, which usually corresponds to the nominal value in respect of short-term non-interest-bearing payables. Accounting policies for current tax liability are outlined above.

### *Employee benefits*

Codan Denmark has entered into pension agreements and similar agreements with the majority of its employees. Contributions to defined-contribution schemes under which fixed contributions are paid to independent pension funds on an ongoing basis are recognised in the combined carve-out statements of profit or loss in the period to which they relate, and any contributions payable are recognised in the balance sheet as other debt. When contributions to defined-contribution schemes have been paid, the Company has no further obligations to present or former employees.

## **Accruals and deferred income**

Accruals and deferred income are measured at cost, equivalent to the measurement at initial recognition.

## **Methods for calculating financial ratios**

The financial ratios have been calculated in accordance with the the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). The ratios included in the five-year summary have been calculated as follows:

Gross claims ratio	The relation between claims incurred and earned premiums. Earned premiums are reduced by bonuses and rebates.
Gross expense ratio	The relation between operating expenses and earned premiums. Earned premiums are reduced by bonuses and rebates. Operating expenses are calculated as the sum of acquisition costs and administrative expenses.
Net reinsurance ratio	The relation between profit or loss from reinsurance and earned premiums. Earned premiums are reduced by bonuses and rebates.
Combined ratio	The sum of the gross claims ratio, the gross expense ratio and the net reinsurance ratio, which shows profit/loss from reinsurance in proportion to gross earned premiums less bonuses and rebates.
Relative run-off result	The run-off result in relation to the corresponding opening provision.



## **2. Risk and capital management**

As an insurance entity, Codan Denmark is in the business of actively seeking risk with a view to adding value by managing it. Codan Denmark's risk management involves the assessment of a large number of risks affecting its activities.

### *Insurance risk*

Insurance risk is the risk relating to unexpected or unplanned losses entering into contracts of insurance. To facilitate identification and control, Codan Denmark divide Insurance Risk into Underwriting Risk, Reserving Risk, Catastrophe Risk and Reinsurance Risk:

- Underwriting Risk covers the (non-catastrophe) risks of unexpected or unplanned losses arising from acceptance of risk that deviates from target risk mix or portfolio strategy, inaccurate pricing or inadequate control over risk accumulation;
- Catastrophe Risk covers the risk of unexpected or unplanned losses arising from natural catastrophe events this can arise from bad experiences, ineffective exposure control, poor risk selection or failure to underwrite or handle claims effectively due to management inefficiencies or process deficiencies;
- Reserving Risk covers the risks that claims provisions at the valuation date are not enough to cover claims which occur prior to the evaluation date. This can arise from adverse experience, third party interventions, unanticipated market conditions, failure to handle claims effectively due to management information or process deficiencies and ineffective technical reserving; and
- Reinsurance Risk covers the risk of unexpected or unplanned losses arising from the

### *Market risk*

Market risk is the risk that volatility of financial markets, including fluctuations in interest rates, equity markets and currency exchange rates and/or macroeconomic factors impact its results of operations and financial condition. Codan Denmark applies a Market Risk Policy and a Liquidity Risk Policy that set out the minimum requirements for the identification, measurement, monitoring and reporting of Market and Liquidity Risk for its investment portfolio. A set of key risk indicators in the form of an Investment Limits framework has been developed alongside the investment policy—the policy refers to this for investment risk management and reporting purposes.

Interest rate risk arises primarily from investments in long-term debt and fixed income securities and their movement relative to the value placed on insurance liabilities. This impacts both the fair value and amount of variable returns on existing assets as well as the cost of acquiring new fixed maturity investments.

Currency risk may arise as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If currency exposure is outside certain defined limits, it is minimised through currency derivatives. Codan Denmark is limited exposed to currency risk through the foreign US Branch.

### *Liquidity risk*

Liquidity risk refers to the risk of loss to Codan Denmark as a result of assets not being available in a form that can immediately be converted into cash, and therefore the consequence of not being able to pay its obligations when due. Codan Denmark's short-term liquidity is monitored through ongoing cash management. Long-term cash management is handled through Asset Liability Management (ALM).

Codan Denmark's exposure with respect to fixed income assets and various liabilities is shown in the table below:

### Contractual repricing or maturity dates

DKK m	<1 yr	1 – 5 yrs	5 – 10 yrs	10 – 20 yrs	>20 yrs	Total
<b>2020</b>						
Bonds	1,511	3,877	939	589	3,168	10,084
Deposits with credit institutions, call deposits etc.	326	352	-	112	-	790
Other	-	1	-	-	-	1
Receivables from Group entities	2,729	-	-	-	-	2,729
<b>Financial assets</b>	<b>4,566</b>	<b>4,230</b>	<b>939</b>	<b>701</b>	<b>3,168</b>	<b>13,604</b>
Amounts owed to Group entities	560	-	-	-	-	560
Lease payables	57	28	1	-	-	86
<b>Financial liabilities</b>	<b>617</b>	<b>28</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>646</b>
<b>2019</b>						
Bonds	430	6,097	701	499	2,849	10,576
Deposits with credit institutions, call deposits etc.	316	3	-	112	-	431
Other	8	2	-	-	-	10
Receivables from Group entities	3,325	-	-	-	-	3,325
<b>Financial assets</b>	<b>4,079</b>	<b>6,102</b>	<b>701</b>	<b>611</b>	<b>2,849</b>	<b>14,342</b>
Amounts owed to Group entities	1,475	-	-	-	-	1,475
Lease payables	59	125	1	-	-	185
<b>Financial liabilities</b>	<b>1,534</b>	<b>125</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1,660</b>
<b>2018</b>						
Bonds	1,363	5,331	750	652	2,605	10,701
Deposits with credit institutions, call deposits etc.	149	-	-	-	-	149
Other	1	1	-	-	-	2
Receivables from Group entities	2,979	-	-	-	-	2,979
<b>Financial assets</b>	<b>4,492</b>	<b>5,332</b>	<b>750</b>	<b>652</b>	<b>2,605</b>	<b>13,831</b>
Amounts owed to Group entities	1,352	-	-	-	-	1,352
Lease payables	-	-	-	-	-	-
<b>Financial liabilities</b>	<b>1,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,352</b>

### Credit risk

Credit risk is the risk that a counterparty fails to live up to financial obligations towards Codan Denmark. Codan Denmark is exposed to credit risk in respect of its reinsurance contracts; insurance operations (where counterparties include brokers, policy holders and suppliers); and investments (where counterparties include governments and corporate bond issuers).

Codan Denmark's investment portfolio primarily consists of AAA-rated government and mortgage bonds. The credit quality is based on a credit rating hierarchy: First Standard & Poors, second Moody's and third Fitch Ratings. Under Codan's Market Risk Policy, all ratings of "significant exposures" (lower of £50m-equivalent/10% of entity portfolio), are reviewed at least annually.

Codan Denmark's bond portfolio based on Standard & Poor's ratings is shown in the following table:

DKK <b>m</b>	Year Ended 31 December		
	2020	2019	2018
<b>Rating</b>			
AAA	8,342	8,876	8,693
AA	646	528	933
A	754	855	832
BBB	342	317	243

The maximum exposure to credit risk is shown in the table below:

DKK <b>m</b>	Year Ended 31 December		
	2020	2019	2018
<b>Maximum credit risk</b>			
Bonds	10,084	10,576	10,701
Other loans, deposits with credit institutions and call deposits etc	790	431	149
Other	1	10	2
Reinsurers' share of premium provisions	114	-24	26
Reinsurers' share of provision for claims	611	503	375
Receivables from policyholders	886	928	981
Receivables from brokers	7	8	8
Receivables from insurance companies	85	62	23
Receivables from Group entities	2,729	3,325	2,979
Other receivables	128	59	103
Current tax assets	-	51	44
Accrued interest and rent	70	84	90
<b>Maximum credit risk</b>	<b>15,505</b>	<b>16,013</b>	<b>15,481</b>

#### *Operational risk*

Operational risk is the risk of failures in internal procedures, IT systems, process errors, internal and external fraud, and other risks affiliated with operations that are not covered by the financial risks and strategic risks. Operational risk exists in almost every aspect of business within Codan Denmark, and the effective management of operational risk plays a significant role in enabling the business to meet its strategic objectives. The Risk Management Policy documents both the policy requirements for the identification, measurement, management, monitoring and reporting of operational risk, as well as setting out the processes and procedures for the effective operation of the risk management system. The Risk Management System sets out Codan Denmark's approach to minimizing and/or preventing the risk of material loss, reputational damage or liability arising from the failure to comply with risk requirements with a particular focus on operational risk.

### *Capital management*

Regulatory solvency requirements are generally only applicable to groups or solo legal entities and not individual business units. During the period under review, Codan Denmark were not a stand-alone group of legal entities and as such did not have a specific solvency requirement applying to them. Codan and its subsidiaries, of which Codan Denmark form a part, were subject to such solvency requirements and the discussion below relates to these legal entities.

To ensure entities within RSA Scandinavia are adequately capitalized, the boards of directors of Codan A/S and its subsidiaries have defined capital measures which are regularly monitored. Capital measures include accounting equity, own funds and capital requirements as set out in Danish Financial Supervisory Authority's regulation and the Solvency II regulation. The solvency capital requirements are calculated using an Internal Model and are validated by stresses on selected scenarios.

For capital management purposes the Internal Model is used to assess and calculate SCRs and scenarios. The Internal Model is used to calculate the SCR and for performance review purposes capital allocations are derived from the model. The Internal Model is further used for assessing impact of major strategic decisions and updates to the operational plan. The Internal Model is tailored to Codan Forsikring and its subsidiaries and is continuously developed, which includes an annual re-parameterization. The Internal Model is a cash flow-based stochastic model, which models underwriting risk, reserving risk, catastrophe risk, counterparty risk, investment risk and operational risk. As well as being used to calculate the SCR, the Internal Model is also used to allocate capital to individual lines of business, help assess reinsurance purchases and evaluate the impact of strategic decisions.

Codan and its subsidiaries have been adequately capitalised throughout the reported periods presented.

### *Own Risk and Solvency Assessment*

Codan Forsikring annually conducts an ORSA based on Solvency II principles. The ORSA requires that Codan Forsikring assesses all material risks that each are or may be exposed to and assess whether the SCR is reasonable and reflects and its actual risk profile. The ORSA consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle, supplemented as necessary by ad hoc assessments of the impact of external events and developments and of internal business proposals. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report. In addition, outputs of the internal model are used by the ORSA Committee and the Supervisory Board as an integral part of its decision making, to setting the risk appetite, adjusting investment exposure and hedges, reinsurance strategy, insurance portfolio risk assessment, and key strategic decisions such as disposals.

### 3. Segmental analysis

#### Technical result, net of reinsurance by operating segment

DKKm	Personal	Commercial
<b>2020</b>		
Gross premium income	2,174	3,201
Gross claims incurred	-1,278	-2,425
Gross operating expenses	-501	-612
<b>Profit/loss on gross business</b>	<b>395</b>	<b>164</b>
Profit/loss from reinsurance	-9	44
<b>Technical result</b>	<b>386</b>	<b>208</b>
Gross claims ratio	58.8%	75.8%
Net reinsurance ratio	0.4%	-1.4%
Claims experience	59.2%	74.4%
Gross expense ratio	23.0%	19.1%
Combined ratio	82.2%	93.5%
<b>DKKm</b>	<b>Personal</b>	<b>Commercial</b>
<b>2019</b>		
Gross premium income	2,248	3,553
Gross claims incurred	-1,474	-3,217
Gross operating expenses	-481	-663
Profit/loss on gross business	293	-327
Profit/loss from reinsurance	-32	-185
<b>Technical result</b>	<b>261</b>	<b>-512</b>
Gross claims ratio	65.6%	90.5%
Net reinsurance ratio	1.4%	5.2%
Claims experience	67.0%	95.8%
Gross expense ratio	21.4%	18.7%
Combined ratio	88.4%	114.4%

DKKm	Personal	Commercial
<b>2018</b>		
Gross premium income	2,285	3,745
Gross claims incurred	-1,499	-2,971
Gross operating expenses	-482	-650
Profit/loss on gross business	304	124
Profit/loss from reinsurance	-36	-307
<b>Technical result</b>	<b>268</b>	<b>-183</b>
Gross claims ratio	65.6%	79.3%
Net reinsurance ratio	1.6%	8.2%
Claims experience	67.2%	87.5%
Gross expense ratio	21.1%	17.4%
Combined ratio	88.3%	104.9%

**Technical result, net of reinsurance by line of business**

DKKm	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
<b>2020</b>				
Gross premium written	468	123	502	255
<b>Gross premiums earned</b>	<b>501</b>	<b>124</b>	<b>499</b>	<b>266</b>
Gross claims incurred	-285	-88	-430	-175
Bonuses and rebates	-	-	-	-2
Operating expenses, gross	-113	-30	-94	-59
Profit/loss from reinsurance	-	-	-	-2
<b>Balance on technical account</b>	<b>103</b>	<b>6</b>	<b>-25</b>	<b>28</b>
Number of claims paid	16,662	19,993	6,830	17,381
Average claims paid in DKK	17.1	4.4	62.9	10.1
Claims frequency	5.3%	39.9%	30.3%	14.9%

DKK <b>m</b>	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Con- tents (Com- mercial)
<b>2020</b>				
Gross premium written	739	305	888	1,900
<b>Gross premiums earned</b>	<b>779</b>	<b>305</b>	<b>965</b>	<b>1,663</b>
Gross claims incurred	-479	-205	-563	-1,275
Bonuses and rebates	-2	-5	-14	-48
Operating expenses, gross	-196	-41	-217	-273
Profit/loss from reinsurance	-2	-46	-13	58
<b>Balance on technical account</b>	<b>100</b>	<b>8</b>	<b>158</b>	<b>125</b>
Number of claims paid	68,347	1,686	79,953	11,706
Average claims paid in DKK	7.0	121.8	7.0	108.9
Claims frequency	68.2%	17.5%	8.7%	4.5%

DKK <b>m</b>	Liability	Tourist Assistance*	Other insurance	Total gen- eral insurance
<b>2020</b>				
Gross premium written	127	86	134	5,527
<b>Gross premiums earned</b>	<b>127</b>	<b>88</b>	<b>133</b>	<b>5,450</b>
Gross claims incurred	-110	-49	-44	-3,703
Bonuses and rebates	-4	-	-	-75
Operating expenses, gross	-31	-16	-43	-1,113
Profit/loss from reinsurance	7	7	26	35
<b>Balance on technical account</b>	<b>-11</b>	<b>30</b>	<b>72</b>	<b>594</b>
Number of claims paid	2,553	25,729		250,850
Average claims paid in DKK	43.0	1.9		14.8
Claims frequency	5.6%	52.2%		13.2%



DKKm	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
<b>2019</b>				
Gross premium written	486	137	520	290
<b>Gross premiums earned</b>	<b>507</b>	<b>140</b>	<b>551</b>	<b>303</b>
Gross claims incurred	-312	-107	-528	-292
Bonuses and rebates	-1	-	-	-
Operating expenses, gross	-112	-30	-117	-59
Profit/loss from reinsurance	-	-	-1	-2
<b>Balance on technical account</b>	<b>82</b>	<b>3</b>	<b>-95</b>	<b>-50</b>
Number of claims paid	13,651	24,064	8,581	17,279
Average claims paid in DKK	22.8	4.4	61.6	16.9
Claims frequency	5.9%	40.1%	33.7%	9.1%

DKKm	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Con- tents (Com- mercial)
<b>2019</b>				
Gross premium written	800	271	932	1,859
<b>Gross premiums earned</b>	<b>823</b>	<b>270</b>	<b>982</b>	<b>1,887</b>
Gross claims incurred	-522	-140	-653	-1,736
Bonuses and rebates	-34	-1	-12	-35
Operating expenses, gross	-176	-39	-219	-310
Profit/loss from reinsurance	-2	-30	-29	-161
<b>Balance on technical account</b>	<b>89</b>	<b>60</b>	<b>69</b>	<b>-355</b>
Number of claims paid	59,654	1,927	63,135	15,463
Average claims paid in DKK	8.8	72.6	10.3	112.2
Claims frequency	35.6%	17.2%	11.9%	4.8%

DKKm	Liability	Tourist Assistance*	Other insurance	Total general insurance
<b>2019</b>				
Gross premium written	142	106	128	5,671
<b>Gross premiums earned</b>	<b>142</b>	<b>153</b>	<b>128</b>	<b>5,886</b>
Gross claims incurred	-88	-104	-209	-4,691
Bonuses and rebates	-2	-	-	-85
Operating expenses, gross	-36	-11	-35	-1,144
Profit/loss from reinsurance	-18	-	26	-217
<b>Balance on technical account</b>	<b>-2</b>	<b>38</b>	<b>-90</b>	<b>-251</b>
Number of claims paid	3,052	21,065		227,882
Average claims paid in DKK	28.8	4.9		20.6
Claims frequency	5.6%	38.5%		13.8%

DKKm	Personal Accident	Health Insurance	Workers' Compensation	Motor Third Party Liability
<b>2018</b>				
Gross premium written	512	143	532	326
<b>Gross premiums earned</b>	<b>523</b>	<b>145</b>	<b>514</b>	<b>322</b>
Gross claims incurred	-305	-130	-309	-167
Bonuses and rebates	-	-	-	-
Operating expenses, gross	-109	-30	-113	-62
Profit/loss from reinsurance	-1	-	-1	-2
<b>Balance on technical account</b>	<b>108</b>	<b>-15</b>	<b>91</b>	<b>91</b>
Number of claims paid	12,967	26,007	8,866	15,370
Average claims paid in DKK	23.5	5.0	34.9	10.9
Claims frequency	7.1%	48.1%	32.5%	7.4%

DKKm	Motor, Accidental Damage, Fire and Theft	Marine, Aviation and Cargo	Fire and Contents (Personal)	Fire and Con- tents (Com- mercial)
<b>2018</b>				
Gross premium written	835	262	993	1,736
<b>Gross premiums earned</b>	<b>862</b>	<b>271</b>	<b>1,021</b>	<b>1,987</b>
Gross claims incurred	-597	-186	-703	-1,814
Bonuses and rebates	-22	-4	-25	-45
Operating expenses, gross	-190	-29	-219	-285
Profit/loss from reinsurance	-3	-109	-32	-127
<b>Balance on technical account</b>	<b>50</b>	<b>-57</b>	<b>42</b>	<b>-284</b>
Number of claims paid	55,066	2,088	58,797	14,187
Average claims paid in DKK	10.8	88.9	12.0	127.8
Claims frequency	30.2%	16.6%	19.3%	4.4%

DKKm	Liability	Tourist Assistance*	Other insurance	Total gen- eral insurance
<b>2018</b>				
Gross premium written	173	168	136	5,816
<b>Gross premiums earned</b>	<b>179</b>	<b>168</b>	<b>142</b>	<b>6,134</b>
Gross claims incurred	-137	-145	23	-4,470
Bonuses and rebates	-8	-	-	-104
Operating expenses, gross	-40	-19	-36	-1,132
Profit/loss from reinsurance	-8	-	-60	-343
<b>Balance on technical account</b>	<b>-14</b>	<b>4</b>	<b>69</b>	<b>85</b>
Number of claims paid	3,198	20,538		217,092
Average claims paid in DKK	42.7	7.1		20.6
Claims frequency	5.7%	39.6%		15.5%

#### 4. Premium income, net of reinsurance

DKKm	Year Ended 31 December		
	2020	2019	2018
Direct insurance	5,324	5,774	6,005
Indirect insurance	126	112	129
	<b>5,450</b>	<b>5,886</b>	<b>6,134</b>
Ceded direct insurance	-402	-582	-585
	<b>5,048</b>	<b>5,304</b>	<b>5,549</b>

## 5. Claims, net of reinsurance

DKKm	Year Ended 31 December		
	2020	2019	2018
Claims	-4,160	-4,854	-4,723
Run-off previous years, gross	457	163	253
	<b>-3,703</b>	<b>-4,691</b>	<b>-4,470</b>
Reinsurance cover received	317	322	311
Run-off previous years, reinsurers' share	93	5	-94
	<b>410</b>	<b>327</b>	<b>217</b>
Claims, net of reinsurance	<b>-3,293</b>	<b>-4,364</b>	<b>-4,253</b>

## 6. Insurance operating costs

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Insurance operating costs, net of reinsurance</b>			
Commissions regarding direct insurance contracts	-310	-314	-296
Other acquisition costs	-480	-493	-481
<b>Total acquisition costs</b>	<b>-790</b>	<b>-807</b>	<b>-777</b>
Administration expenses	-323	-337	-355
<b>Insurance operating costs, gross</b>	<b>-1,113</b>	<b>-1,144</b>	<b>-1,132</b>
Commission from reinsurers	27	38	25
	<b>-1,086</b>	<b>-1,106</b>	<b>-1,107</b>

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Insurance operating costs, gross</b>			
Commissions	-310	-314	-296
Staff expenses	-862	-814	-824
Other staff expenses	-22	-11	-24
Office expenses, fees and headquarter expenses	246	176	133
Depreciation, amortisation and impairment losses and write-downs	-165	-181	-121
	<b>-1,113</b>	<b>-1,144</b>	<b>-1,132</b>

**Breakdown of staff expenses**

Wages and salaries	-614	-579	-574
Defined contribution schemes	-109	-93	-108
Other social security costs	2	4	5
Payroll tax	-120	-120	-120
Long term incentive plan costs	-10	-2	-6
Employment agency costs	-11	-24	-21
	<b>-862</b>	<b>-814</b>	<b>-824</b>

**Incentive schemes**

Codan Denmark is covered by the Performance Share Plan/Long Term Incentive Plan established by RSA Insurance Group plc (RSA). Members of the board of management and material risk takers may be eligible to this incentive scheme. The members of the board of directors do not receive any incentive-based remuneration.

The structure of the plan allows for different types of awards to be made. All awards are settled in the form of ordinary shares in RSA.

**Performance Shares**

Performance Shares is an award where the outcome of performance measures determines the number of shares that vest. Conditional long-term incentive awards are granted annually in the form of Performance Shares and may vest wholly or partially subject to company performance conditions.

A retention period applies to vested Performance Shares. Awards can be reduced or otherwise amended, provided the action is fair and justifiable, for example, to guard against a windfall award or the converse generated by an accounting treatment. Vesting can be adjusted downwards for current or future risk exposure. Before vesting, they will normally lapse if the participant leaves and may be subject to performance conditions.

Performance conditions are reviewed for each new cycle and set in line with the operational plan, long-term strategy and consideration of shareholder interests. The normal maximum LTIP opportunity is 40% of salary.

**Deferred Bonus Shares**

Deferred Bonus Shares is an award made when part of a bonus is deferred in shares i.e., not paid immediately. For material risk takers 50% of the bonus is deferred into a share award for a period of three years, and 50% is awarded in cash. Deferred Bonus Shares are generally retained if the employee leaves RSA unless the employee is dismissed for cause. The awards are not subject to performance conditions. Awards are subject to malus and claw back provisions, which is reviewed annually.

## Restricted Shares

Restricted Shares is an award made for recruitment purposes or in highly exceptional circumstances, such as retention. This would be considered as a 'one-off' award. Where an exceptional award is made, full disclosure will be given on the rationale.

The value of awards described above during the years ended 31 December 2020, 2019 and 2018 are not material to the Combined Carve-Out Financial Statements and are not disclosed.

## 7. Interest and dividends

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Interest and dividends</b>			
Dividends	36	49	36
Interest income, cash at bank and in hand	6	23	17
Interest income, bonds	155	211	231
Interest income, group companies	24	17	26
	<b>221</b>	<b>300</b>	<b>310</b>
<b>Interest expenses</b>			
Interest expenses	-6	-13	-21

## 8. Value adjustments

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Value adjustments on financial assets and liabilities</b>			
Equity investments	-59	40	-43
Unit trust	-2	-7	2
Bonds	-123	-78	-144
Other loans	0	18	14
Derivatives	-15	26	42
<b>Value Adjustments on financial assets and liabilities</b>	<b>-199</b>	<b>-1</b>	<b>-129</b>
<b>Other value adjustments:</b>			
Other statement of financial position items	97	32	-8
<b>Value adjustment</b>	<b>-102</b>	<b>31</b>	<b>-137</b>
Realised gains and losses on investments:	-276	-194	-66
Unrealised gains and losses on investments	-84	193	-66
Other realised gains and losses	-2	37	1
Value adjustments and other unrealised gains and losses	260	-5	-6
<b>Value adjustments</b>	<b>-102</b>	<b>31</b>	<b>-137</b>

## 9. Other costs

Other costs include expenses which cannot be ascribed to Codan's insurance portfolio or investment assets, including impairment of goodwill.

## 10. Tax

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Tax on total income for the year:</b>			
Current tax expense	-60	2	-51
Change in deferred tax on temporary differences	-28	38	11
<b>Tax on total income for the year</b>	<b>-88</b>	<b>40</b>	<b>-40</b>
<b>Adjustments relating to previous years:</b>			
Current tax for previous years	-3	-2	30
Adjustment of deferred tax at 1 January	7	-1	-8
<b>Adjustments relating to previous years</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tax expense</b>	<b>4</b>	<b>-3</b>	<b>22</b>
<b>Tax is included as follows:</b>			
Tax in the income statement	-85	37	-18
Tax on changes in net parent investment	1	-	-
<b>Tax expense</b>	<b>-84</b>	<b>37</b>	<b>-18</b>
<b>Total tax on total income for the year can be explained as follows:</b>			
Profit before tax	553	-156	177
Applicable tax rate	22.0%	22.0%	22.0%
<b>Tax calculated on total income</b>	<b>-122</b>	<b>34</b>	<b>-39</b>
<b>Tax on permanent differences:</b>			
Adjustments regarding Equities (Unrealised gains/losses)	2	1	1
Income not subject to tax	-	7	-
Expenses disallowed for tax purposes	-2	-1	-1
Other permanent differences	33	-1	-1
<b>Tax</b>	<b>-89</b>	<b>40</b>	<b>-40</b>
Tax on total income for the year	-89	40	-40
Adjustment of tax relating to previous years	4	-3	22
<b>Tax expense</b>	<b>-85</b>	<b>37</b>	<b>-18</b>
<b>Effective tax rate</b>	<b>16.1%</b>	<b>25.6%</b>	<b>22.6%</b>

## 11. Intangible assets

DKKm	Completed internal IT development	Goodwill	Internal IT development in progress
<b>2020</b>			
<b>Cost, beginning of the year</b>	<b>1,290</b>	<b>211</b>	<b>50</b>
Additions	38	-	22
Transferred from development projects in progress	38	-	-38
<b>Cost, end of the year</b>	<b>1,366</b>	<b>211</b>	<b>34</b>
<b>Amortisation and impairment, beginning of the year</b>	<b>-825</b>	<b>-67</b>	-
Currency translation adjustments, foreign branches	-	1	-
Amortisation	-87	-	-
Impairment	-7	- 4	-
<b>Amortisation and impairment, end of the year</b>	<b>-919</b>	<b>-70</b>	-
<b>Carrying amount, end of the year</b>	<b>447</b>	<b>141</b>	<b>34</b>
<b>Carrying amount, beginning of the year</b>	<b>465</b>	<b>144</b>	<b>50</b>
<b>2019</b>			
<b>Cost, beginning of the year</b>	<b>1,061</b>	<b>211</b>	<b>241</b>
Additions	-	-	38
Disposals	-	-	-
Transferred from development projects in progress	229	-	-229
<b>Cost, end of the year</b>	<b>1,290</b>	<b>211</b>	<b>50</b>
<b>Amortisation and impairment, beginning of the year</b>	<b>-706</b>	<b>-66</b>	-
Currency translation adjustments, foreign branches	-	- 1	-
Amortisation	-119	-	-
Reversal of amortisation relating to disposals	-	-	-
<b>Amortisation and impairment, end of the year</b>	<b>-825</b>	<b>-67</b>	-
<b>Carrying amount, end of the year</b>	<b>465</b>	<b>144</b>	<b>50</b>
<b>Carrying amount, beginning of the year</b>	<b>355</b>	<b>145</b>	<b>241</b>
<b>2018</b>			
<b>Cost, beginning of the year</b>	<b>948</b>	<b>211</b>	<b>278</b>
Additions	-	-	76
Disposals	-	-	-
Transferred from development projects in progress	113	-	-113
<b>Cost, end of the year</b>	<b>1,061</b>	<b>211</b>	<b>241</b>
<b>Amortisation and impairment, beginning of the year</b>	<b>-587</b>	<b>-66</b>	-
Amortisation	-119	-	-
Reversal of amortisation relating to disposals	-	-	-
<b>Amortisation and impairment, end of the year</b>	<b>-706</b>	<b>-66</b>	-
<b>Carrying amount, end of the year</b>	<b>355</b>	<b>145</b>	<b>241</b>



DKKm	Completed internal IT development	Goodwill	Internal IT development in progress
Carrying amount, beginning of the year	361	145	278

DKKm	Customer lists	Total intangible assets
<b>2020</b>		
<b>Cost, beginning of the year</b>	-	1,551
Additions	-	60
Transferred from development projects in progress	-	-
<b>Cost, end of the year</b>	-	1,611
<b>Amortisation and impairment, beginning of the year</b>	-	-892
Currency translation adjustments, foreign branches		1
Amortisation	-	-87
Impairment	-	-11
<b>Amortisation and impairment, end of the year</b>	-	-989
<b>Carrying amount, end of the year</b>	-	622
<b>Carrying amount, beginning of the year</b>	-	659
<b>2019</b>		
<b>Cost, beginning of the year</b>	24	1,537
Additions	-	38
Disposals	-24	-24
Transferred from development projects in progress	-	-
<b>Cost, end of the year</b>	-	1,551
<b>Amortisation and impairment, beginning of the year</b>	-24	- 796
Currency translation adjustments, foreign branches	-	- 1
Amortisation	-	- 119
Reversal of amortisation relating to disposals	24	24
<b>Amortisation and impairment, end of the year</b>	-	- 892
<b>Carrying amount, end of the year</b>	-	659
<b>Carrying amount, beginning of the year</b>	-	741
<b>2018</b>		
<b>Cost, beginning of the year</b>	24	1,461
Additions	-	76
Disposals	-	-
Transferred from development projects in progress	-	-
<b>Cost, end of the year</b>	24	1,537
<b>Amortisation and impairment, beginning of the year</b>	-24	-677
Currency translation adjustments, foreign branches	-	-

DKKm	Customer lists	Total intangible assets
Amortisation	-	- 119
Reversal of amortisation relating to disposals	-	-
<b>Amortisation and impairment, end of the year</b>	<b>-24</b>	<b>- 796</b>
<b>Carrying amount, end of the year</b>	<b>-</b>	<b>741</b>
<b>Carrying amount, beginning of the year</b>	<b>-</b>	<b>784</b>

### Amortisation

Amortisation expenses of DKK 87 million, (2019: DKK 119 million, 2018: DKK 119 million) have been recognised in insurance operating costs.

### Impairment

During 2020 a goodwill impairment charge of DKK 4 million, (2019: DKK 0 million, 2018: DKK 0 million) has been recognised in the Combined Carve-Out Statement of profit or loss within Other costs.

When testing for goodwill impairment, the carrying value of the Cash Generating Unit (CGU) to which goodwill has been allocated is compared to the recoverable amount as determined by a value in use calculation. These calculations use cash flow projections based on operating plans approved by management covering a three-year period and using the best estimates of future premiums, operating expenses and taxes using historical trends, general geographical market conditions, industry trends and forecasts and other available information as discussed in more detail in the strategic report section. Cash flows beyond this period are extrapolated using the estimated growth rates which management deem appropriate for the CGU. The cash flow forecasts are adjusted by appropriate discount rates. Where a sales price has been agreed for a CGU, the sales proceeds less costs to sell are considered the best estimate of the value in use.

When testing for intangible asset impairment (including those not available for use), a consistent methodology is applied although future cash flow projection years are not extrapolated beyond the asset's useful economic life.

Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the goodwill or intangible asset is impaired in order to ensure that the CGU carrying value is not greater than its future value to the Group.

Goodwill is allocated within Codan Denmark as follows:

DKKm	Year Ended 31 December		
	2020	2019	2018
Trekroner portfolio	133	133	133
Zurich Marine	8	11	12
<b>Total goodwill</b>	<b>141</b>	<b>144</b>	<b>145</b>

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Key assumptions</b>			
Weighted average cost of capital (WACC)	8.5%	8.5%	9.0%
Growth rate	1.8%	1.8%	1.8%

## 12. Property, plant and equipment

DKKm	Leases ROU equipment	Other equipment	Total equipment	Owner-occu- pied property (ROU)
<b>2020</b>				
Cost, beginning of the year	112	9	121	134
Remeasurement of lease liability	-52	-	-52	-
Additions	14	4	18	-
Disposals	-	-	-	-7
Cost, end of the year	74	13	87	127
Depreciation and impairment, be- ginning of the year	-27	9	-36	-34
Depreciation and impairment	-22	-	- 22	-49
<b>Depreciation and impairment, end of the year</b>	<b>-49</b>	<b>9</b>	<b>-58</b>	<b>-83</b>
<b>Carrying amount, end of the year</b>	<b>25</b>	<b>4</b>	<b>29</b>	<b>44</b>
<b>Carrying amount, beginning of the year</b>	<b>85</b>	<b>-</b>	<b>85</b>	<b>100</b>
<b>2019</b>				
Cost, beginning of the year	-	10	10	-
Recognition of leased assets (ROU)	109	-	109	14
Additions	4	-	4	124
Disposals	-1	-1	-2	-4
Cost, end of the year	112	9	121	134

DKKm	Leases ROU equipment	Other equipment	Total equipment	Owner-occu- pied property (ROU)
Depreciation and impairment, be- ginning of the year	-	-10	-10	-
Depreciation and impairment	-27	-	-27	-34
Depreciation on disposals	-	1	1	-
<b>Depreciation and impairment, end of the year</b>	<b>-27</b>	<b>-9</b>	<b>-36</b>	<b>-34</b>
<b>Carrying amount, end of the year</b>	<b>85</b>	<b>-</b>	<b>85</b>	<b>100</b>
<b>Carrying amount, beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>2018</b>				
Cost, beginning of the year	-	11	11	-
Additions	-	-	-	-
Disposals	-	-1	-1	-
Cost, end of the year	-	10	10	-
Depreciation and impairment, be- ginning of the year	-	-8	-8	-
Depreciation and impairment	-	-3	-3	-
Depreciation on disposals	-	1	1	-
<b>Depreciation and impairment, end of the year</b>	<b>-</b>	<b>-10</b>	<b>-10</b>	<b>-</b>
<b>Carrying amount, end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount, beginning of the year</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>-</b>
Depreciation on a straight-line ba- sis over a period of	1-3 years	4-10 years		1-6 years

Depreciation expenses of DKK 71 million (2019: DKK 61 million, 2018: DKK 3 million) have been recognised in insurance operating costs.

Codan Denmark leases equipment including IT equipment, servers and mainframes to operate its business. These leases were classified as operating leases under IAS 17 in the year ended 31 December 2018. The lease terms range from 0 to 6 years. The monthly amounts are fixed and there are no options for purchase or extension.

Short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets are recognised immediately in the Combined Carve-Out Statement of Profit or Loss:

DKKm	Year Ended 31 December		
	2020	2019	2018
Expenses relating to short-term leases	-	7	-
Expenses relating to lease of low value assets	6	7	-

### 13. Financial assets and liabilities

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Financial assets</b>			
Financial assets at fair value with value adjustments in profit or loss	11,271	11,476	11,555
Derivative financial instruments at fair value with value adjustments in profit or loss	1	10	2
Receivables measured at amortised cost	4,060	3,861	3,495
<b>Total financial assets</b>	<b>15,332</b>	<b>15,347</b>	<b>15,052</b>
<b>Financial liabilities</b>			
Debt to credit institutions at amortised cost	600	-	470
Other payables at amortised cost	1,331	2,339	2,014
<b>Total financial liabilities</b>	<b>1,931</b>	<b>2,339</b>	<b>2,484</b>

#### *Fair value hierarchy*

Fair value for all assets and liabilities which are either measured or disclosed is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For level 1 and level 2 investments, Codan Denmark uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded Codan Denmark determines whether the prices meet the criteria for classification as a level 1 valuation. The price provided is classified as a level 1 valuation when it represents the price at which the investment traded at the reporting date

taking into account the frequency and volume of trading of the individual investment together with the spread of prices that are quoted at the reporting date for such trades.

Typically, investments in frequently traded government debt would meet the criteria for classification in the level 1 category. Where the prices provided do not meet the criteria for classification in the level 1 category, the prices are classified in the level 2 category.

In certain circumstances, Codan Denmark does not receive pricing information from an external provider for its financial investments. In such circumstances Codan Denmark calculates fair value which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Valuations that require the significant use of unobservable data are classified as level 3 valuations and inputs are generally determined via reference to observable inputs, historical observations or using other analytical techniques. In addition, the valuations used for investment properties and for group occupied properties are classified in the level 3 category.

The following table provides an analysis of financial instruments and other items that are measured subsequent to initial recognition at fair value as well as financial liabilities not measured at fair value, grouped into levels 1 to 3. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

DKKm	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
<b>2020</b>				
Equity investments	211	-	56	267
Units in open-ended funds	1	-	615	616
Bonds	288	9,796	-	10,084
Other loans	-	-	304	304
Derivative financial instruments	-	1	-	1
<b>Assets measured at fair value</b>	<b>500</b>	<b>9,797</b>	<b>975</b>	<b>11,272</b>
<b>2019</b>				
Equity investments	260	-	4	264
Units in open-ended funds	1	-	518	519
Bonds	5,856	4,720	-	10,576
Other loans	-	-	117	117
Derivative financial instruments	-	10	-	10

DKK <b>m</b>	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
<b>Assets measured at fair value</b>	<b>6,117</b>	<b>4,730</b>	<b>639</b>	<b>11,486</b>

## 2018

Equity investments	229	-	3	232
Units in open-ended funds	0	-	619	619
Bonds	6,376	4,325	-	10,701
Other loans	-	-	3	3
Derivative financial instruments	-	2	-	2
<b>Assets measured at fair value</b>	<b>6,605</b>	<b>4,327</b>	<b>625</b>	<b>11,557</b>

DKK <b>m</b>	Credit Investments	Equity Investments	Total
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## Development in level 3 financial instruments

### 2020

Opening balance	635	4	639
Total gains or losses for the period	-9	19	10
Purchases	356	33	389
Sales	-63	-	-63
<b>Closing balance</b>	<b>919</b>	<b>56</b>	<b>975</b>

### 2019

Opening balance	622	3	625
Currency translation adjustments	-	-	-
Total gains or losses for the period	-5	1	-4
Purchases	214	-	214
Sales	-196	-	-196
<b>Closing balance</b>	<b>635</b>	<b>4</b>	<b>639</b>

### 2018

Opening balance	539	3	542
Currency translation adjustments	-	-	-
Total gains or losses for the period	2	-	2
Purchases	392	-	392
Sales	-311	-	-311
<b>Closing balance</b>	<b>622</b>	<b>3</b>	<b>625</b>

#### 14. Current tax

DKKm	Year Ended 31 December		
	2020	2019	2018
Current tax assets and liabilities, beginning of the year	51	44	40
Exchange rate adjustments	0	0	-1
Current tax for the year	-73	-12	-42
Adjustment of current tax relating to previous years	-3	-2	32
Corporation tax paid during the year	1	21	15
<b>Current tax assets and liabilities, end of the year</b>	<b>-24</b>	<b>51</b>	<b>44</b>
Current tax assets and liabilities are included as follows:			
Current tax assets	9	72	55
Current tax liabilities	-33	-21	-11
<b>Current tax assets and liabilities</b>	<b>-24</b>	<b>51</b>	<b>44</b>

#### 15. Premium provisions

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Opening premium provisions</b>	<b>889</b>	<b>1,018</b>	<b>1,208</b>
Value adjustments	- 12	12	- 3
Change in profit margin and risk margin	- 187	74	131
Written premium	5,527	5,671	5,816
Earned premium	- 5,450	- 5,886	- 6,134
<b>Closing premium provision</b>	<b>767</b>	<b>889</b>	<b>1,018</b>

#### 16. Claims provisions

DKKm	Gross	Ceded	Net
<b>2020</b>			
<b>Claims provision at 1 January</b>	<b>9,093</b>	<b>-503</b>	<b>8,590</b>
Value adjustment of provision, beginning of year	28	8	36
Paid in the financial year in respect of current years	-1,565	57	-1,508
Paid in the financial year in respect of prior years	-2,267	231	-2,036
Change in claims in the financial years, current years	4,335	-316	4,019
Change in claims in the financial years, prior years	-632	-93	-725
Change in risk margin, current year	-158	0	-158
Change in risk margin, prior year	175	0	175
Discounting and exchange rate adjustment	61	5	66
<b>Claims provision at 31 December</b>	<b>9,070</b>	<b>-611</b>	<b>8,459</b>
<b>2019</b>			
<b>Claims provision at 1 January</b>	<b>8,502</b>	<b>-375</b>	<b>8,127</b>
Value adjustment of provision, beginning of year	76	-4	72



DKKm	Gross	Ceded	Net
Paid in the financial year in respect of current years	-2,022	67	-1,955
Paid in the financial year in respect of prior years	-2,210	136	-2,074
Change in claims in the financial years, current years	4,912	-322	4,590
Change in claims in the financial years, prior years	-221	-5	-226
Change in risk margin, current year	-167	0	-167
Change in risk margin, prior year	81	0	81
Discounting and exchange rate adjustment	142	0	142
<b>Claims provision at 31 December</b>	<b>9,093</b>	<b>-503</b>	<b>8,590</b>

## 2018

<b>Claims provision at 1 January</b>	<b>7,810</b>	<b>-283</b>	<b>7,527</b>
Value adjustment of provision, beginning of year	49	-28	21
Paid in the financial year in respect of current years	-1,984	94	-1,890
Paid in the financial year in respect of prior years	-1,870	61	-1,809
Change in claims in the financial years, current years	4,858	-311	4,547
Change in claims in the financial years, prior years	-387	94	-293
Change in risk margin, current year	-155	0	-155
Change in risk margin, prior year	135	0	135
Discounting and exchange rate adjustment	46	-2	44
<b>Claims provision at 31 December</b>	<b>8,502</b>	<b>-375</b>	<b>8,127</b>

## 17. Deferred tax

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Deferred tax assets and liabilities</b>			
Deferred tax assets, beginning of the year	-64	-100	-104
Exchange rate adjustments	-	-	-
Change relating to intangible assets	16	15	12
Change relating to property, plant and equipment	26	-42	-3
Change relating to investments	-	-	-
Change relating to other receivables and assets	-168	-137	0
Change relating to contingency funds	-307	-307	-307
Change relating to technical provisions	163	5	-7
Change relating to liabilities and payables	-52	188	-8
Change relating to tax losses	-7	21	-
<b>Deferred tax assets and liabilities, end of the year</b>	<b>-393</b>	<b>-357</b>	<b>-417</b>
<b>Deferred tax for the year recognised in the income statement</b>	<b>-28</b>	<b>38</b>	<b>11</b>

DKKm	Year Ended 31 December		
	2020	2019	2018
<b>Total deferred tax for the year</b>	<b>-28</b>	<b>38</b>	<b>11</b>
<b>Specification of deferred tax asset and liabilities at the end of the year:</b>			
Intangible assets	-93	-108	-124
Property, plant and equipment	-10	-36	5
Investments	-	-	-
Other receivables and assets	- 305	-137	0
Contingency funds	-307	-307	-307
Technical provisions	155		-9
Liabilities and payables	153	205	17
Net tax losses carried forward	14	21	-
<b>Deferred tax assets and liabilities, end of the year</b>	<b>-393</b>	<b>-357</b>	<b>-417</b>
<b>Deferred tax assets and liabilities are included as follows:</b>			
Deferred tax assets	-	-	-
Deferred tax liabilities	-393	-357	-417
<b>Deferred tax assets and liabilities</b>	<b>-393</b>	<b>-357</b>	<b>-417</b>

#### 18. Other provisions

DKKm	Year Ended 31 December		
	2020	2019	2018
Other provisions, beginning of the year	17	61	183
Used during the year	-15	-32	-47
Reversal of unused provisions	- 2	-23	-134
Provisions made during the year	54	11	59
<b>Other provisions</b>	<b>54</b>	<b>17</b>	<b>61</b>
Other provisions consists of:			
Other provisions	1	6	14
Reorganisation	32	2	33
Environmental duties	10	9	11
Dilapidation provision	11	-	3
<b>Other provisions</b>	<b>54</b>	<b>17</b>	<b>61</b>

## 19. Liabilities arising from financing activities

Debt to credit institutions relates to borrowings under repurchase agreements of DKK 600 million (2019: 0 million, 2018: DKK 470 million):

DKKm	Debt to credit institutions	Debt to related parties	Total
<b>2020</b>			
Carrying amount, beginning of the year	-	1,475	1,475
Proceeds	705	-	705
Repayment	-105	-915	-1,020
<b>Carrying amount, end of the year</b>	<b>600</b>	<b>560</b>	<b>1,160</b>
<b>2019</b>			
Carrying amount, beginning of the year	470	1,352	1,822
Proceeds	1,664	123	1,787
Repayment	-2,134	-	-2,134
<b>Carrying amount, end of the year</b>	<b>-</b>	<b>1,475</b>	<b>1,475</b>
<b>2018</b>			
Carrying amount, beginning of the year	250	1,945	2,195
Proceeds	3,551	-	3,551
Repayment	-3,331	-593	-3,924
<b>Carrying amount, end of the year</b>	<b>470</b>	<b>1,352</b>	<b>1,822</b>

## 20. Other liabilities

As an effect from change in accounting policies a lease liability of DKK 86 million (2019: 185 million) is recognised in other liabilities of DKK 1,931 million (2019: DKK 2,339 million, 2018: DKK 2,484 million). The maturity of the lease liabilities is specified below:

DKKm	Year Ended 31 December		
	2020	2019	2018
Due in 1 year or less	57	59	-
Due in 1 – 5 years	28	125	-
Due more than 5 years	1	1	-
<b>Total lease liabilities</b>	<b>86</b>	<b>185</b>	<b>-</b>

## 21. Contractual obligations, collateral, and contingent liabilities

DKKm	Year Ended 31 December		
	2020	2019	2018
VAT ad liability in connection with purchase of intangible assets	2	4	5
VAT cases	27	30	29
Non-technical Recourse and Non-recourse Guarantee Commitments	14	9	23
Service agreements (IT and telephony)	29	27	47
Commitment future lease agreements	170	0	0
Operational lease non-IFRS 16	22	27	127
Guarantee in connection with the disposal of Group occupied property	2	2	2
Other contractual obligations	436	486	548
<b>Total</b>	<b>702</b>	<b>585</b>	<b>781</b>

Codan Forsikring A/S and Privatsikring A/S are cooperating with other insurers to provide joint cover of certain types of insurance risks. In addition to Codan Forsikring A/S and Privatsikring A/S' own share of such risks, which is included in the annual report, the company are jointly and severally liable for the other insurers' share of the insurance liabilities. However, in view of the fact that these insurers are sound companies, the risk is largely minimal.

Codan Forsikring A/S and Privatsikring A/S signed contracts with external companies for the purpose of selling insurance products.

Codan Forsikring A/S and Privatsikring A/S are jointly registered with the majority of the Codan Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such taxes.

Codan Forsikring A/S and Privatsikring A/S are jointly and severally liable together with other companies participating in the joint taxation for any dividend tax and royalties imposed within the joint taxation payable by 1 July 2012 or later.

Likewise, Codan Forsikring A/S and Privatsikring A/S are jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year 2013.

Codan Forsikring A/S and Privatsikring A/S entered into agreements with other companies in the Codan Group on the sale of insurance products, investment management, reinsurance, provision of administrative services, etc.

## 22. Contingency funds

Included within total Net parent investment for the year ended 31 December 2020 are contingency fund provisions, net of tax of DKK 1,089 million (2019: DKK 1,089 million; 2018: DKK 1,089 million).

## 23. Related parties

### *Information on related parties*

The ultimate parent of Codan Denmark until 31 May 2021 was RSA Insurance Group plc, 20 Fenchurch Street, London, England, which owned 100% of RSA Scandinavia, with Codan A/S as the sub-holding company, through a wholly owned subsidiary. From 1st June 2021, the ultimate parent company of Codan Denmark, and Codan A/S, is Scandi JV Co A/S which is ultimately owned by Intact Financial Corporation and Tryg A/S. Following the Demerger (targeted H1 2022) and until completion, the ultimate holding company of Codan Denmark will be Scandi JV Co 2 A/S which is ultimately owned by Intact Financial Corporation and Tryg A/S.

### *Related party transactions*

During the financial years ended 31 December 2020, 2019 and 2018, net dividends/transfers to/from RSA amounts to DKK -500 million in 2020, DKK 142 million in 2019 and DKK -400 million in 2018.

As of 31 December 2020, Codan Denmark had a loan to Codan A/S of DKK 500 million (2019: DKK 1,000 million, 2018: DKK 1,000 million) repayable in 2023. Loan repayments of DKK 500 million were made in 2020 (2019: DKK 0, 2018: DKK 0). The loan was obtained on an arm's length basis. The interest rate for the loan was the 12 month CIBOR plus a margin of 0.6% p.a. in 2020 (2019: 0.3% p.a, 2018: 0.3% p.a.). The interest income amounted to DKK 6.9 million in 2020, (2019: DKK 3.1 million, 2018: DKK 3.4 million) and was accrued on a monthly basis and settled on a yearly basis.

Codan Denmark has paid for the use of joint IT-systems and share of joint services in the RSA Group. Payments were made on a cost-covering basis.

Codan Denmark entered into reinsurance agreements with companies in the RSA Group on an arm's length basis. Included in this is a 100% quote sharing programme on the Marine Hull portfolio with RSA & Sun Alliance Insurance plc. The program covers all policies, new or renewed, issued during the contract period and has been closed on a cost plus basis.

As of 31 December 2020, receivables from related parties were DKK 2,229 million (2019: DKK 2,325 million, 2018: DKK 1,979 million) which primarily relate to branch capitalisations and other transactions entered into with RSA Group entities in the ordinary course of business. Outstanding balances are unsecured, interest free and repayable on demand except for branch capitalisation.

As of 31 December 2020, other payables to related parties were DKK 560 million (2019: DKK 1,475 million, 2018: DKK 1,352 million) which relate to transactions entered into with other RSA Group entities in the ordinary course of business. Outstanding balances are unsecured, interest free and repayable on demand except for branch capitalisation.

## Board of directors, board of management and employees

Codan Denmark related parties furthermore include the members of the board of directors and the board of management of Codan Forsikring, as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the board of directors and the board of management, executives, major shareholders or other related parties.

Remuneration of the Board of directors, Board of management, and Material Risk-takers is allocated between Codan Forsikring and the parent company Codan A/S. The specification below contain the total remuneration.

DKK m	Year Ended 31 December		
	2020	2019	2018
<b>Remuneration of the Board of Directors</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>
<b>Remuneration of the Board of Management</b>			
Wages and salaries	7.9	7.4	7.8
Bonuses	2.7	0.7	0.6
Pension benefits	0.2	1.2	1.7
Long term incentive plan	-	1.7	1.4
Redundancy benefits	-	6.5	-
Remuneration of Board of Management	10.8	17.6	11.5
Number of employees in the Board of Management	2	2	2
<b>Remuneration of the Risk Takers</b>			
Wages and salaries	71.3	81.9	75.7
Pension benefits	9.8	11.9	11.2
Remuneration of Risk Takers	81.1	93.8	86.9
Number of Risk-takers	60	55	46

## 24. Financial highlights

DKK m	Year Ended 31 December		
	2020	2019	2018
<b>Gross premium income</b>	<b>5,375</b>	<b>5,801</b>	<b>6,030</b>
Gross claims	-3,703	-4,691	-4,470
Total insurance operating costs	-1,113	-1,144	-1,132
<b>Profit/loss on gross business</b>	<b>559</b>	<b>-34</b>	<b>428</b>
Profit/loss on ceded business	35	-217	-343
<b>Technical result</b>	<b>594</b>	<b>-251</b>	<b>85</b>
Investment return after insurance technical interest	-37	95	92
Other costs	-3	0	0
<b>Profit/loss before tax</b>	<b>554</b>	<b>-156</b>	<b>177</b>
Tax	-85	37	-18

DKK <b>m</b>	Year Ended 31 December		
	2020	2019	2018
<b>Profit/loss</b>	<b>469</b>	<b>-119</b>	<b>159</b>
Run-off gains/losses, net of reinsurance	550	168	159
<b>Statement of financial position</b>			
Total provisions for insurance contracts	11,227	11,203	10,724
Total reinsurers' share of provisions for insurance contracts	725	479	401
Net parent investment	3,451	3,714	3,375
Total assets	17,125	17,673	17,118
<b>Key ratios</b>			
Gross claims ratio	68.9%	80.9%	74.1%
Net reinsurance ratio	-0.7%	3.7%	5.7%
Claims experience	68.2%	84.6%	79.8%
Gross expense ratio	20.7%	19.7%	18.8%
<b>Combined ratio</b>	<b>88.9%</b>	<b>104.3%</b>	<b>98.6%</b>

## **2. CODAN DENMARK COMBINED CARVE-OUT INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

### **Statement by the Management of the Combined Carve-Out Interim Condensed Financial Statements.**

The Executive Management of Alm. Brand A/S have today considered and approved the Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the financial period 1 January 2021 – 30 September 2021.

The Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark comprise the Combined Carve-Out Interim Condensed Statements of Financial Position for the period ended 30 September 2021, Combined Carve-Out Interim Condensed Statements of Profit or Loss and Comprehensive Income, Changes in Net Parent Investment and Cash Flow Statements for the nine month period then ended, and notes to the Combined Carve-Out Interim Condensed Financial Statements, including summary of significant accounting policies. The Combined Carve-Out Interim Condensed Financial Statements are prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements.

In our opinion, the Combined Carve-Out Interim Condensed Financial Statements give a true and fair view of Codan Denmark's assets, liabilities and financial position at 30 September 2021 and of the results of Codan Denmark's operations and cash flows for the financial period 1 January 2021 – 30 September 2021 in accordance with the Accounting policies including the Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements. Codan Denmark, which is carved out of Codan Forsikring A/S, consists of the assets and liabilities as described in Elements of the Combined Carve-Out Interim Condensed Financial Statements in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements.

In addition, we confirm, that the Combined Carve-Out Interim Condensed Financial Statements include the assets and liabilities at 30 September 2021 and the result from the activities for the financial period 1 January 2021 - 30 September 2021 covered by the Share Purchase Agreement with the Sellers.

Copenhagen, 8 November 2021

### **Executive Management**

Rasmus Werner Nielsen

Chief Executive Officer



## **Independent auditor's report on review of Combined Carve-Out Interim Condensed Financial Statements for the period 1 January 2021 - 30 September 2021**

### **To the Executive Management of Alm. Brand A/S**

We have reviewed the Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the period 1 January 2021 – 30 September 2021 prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements. Codan Denmark which is carved out of Codan Forsikring A/S, consists of the assets and liabilities as described in Elements of the Combined Carve-Out Interim Condensed Financial Statements in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements.

#### *Reviewed Combined Carve-Out Interim Condensed Financial Statements*

The Combined Carve-Out Interim Condensed Financial statements of Codan Denmark comprise the Combined Carve-Out Interim Condensed Statements of Financial Position at 30 September 2021, the Combined Carve-Out Interim Condensed Statements of Profit or Loss and Comprehensive Income, Changes in Net Parent Investment and Cash Flow Statements for the nine months period then ended, and notes to the Combined Carve-Out Interim Condensed Financial Statements, including summary of significant accounting policies. The Combined Carve-Out Interim Condensed Financial Statements are prepared in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements.

#### *Management's responsibility for the Combined Carve-Out Interim Condensed Financial Statements*

The Executive Management of Alm. Brand A/S (Management) is responsible for the preparation of the Combined Carve-Out Interim Condensed Financial Statements in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Condensed Interim Financial Statements. Further, Management is responsible for such internal control, that Management determines is necessary to enable the preparation of Combined Carve-Out Interim Condensed Financial Statements that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the Combined Carve-Out Interim Condensed Financial Statements. We conducted our review in accordance with the International Standard relating to Review of Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the Combined Carve-Out Interim Condensed Financial Statements is not prepared in all material respects in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements. This also requires that we comply with relevant ethical requirements.

A review of a Combined Carve-Out Interim Condensed Financial Statements prepared in accordance with the International Standard relating to Review of Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of enquiries of Management and others within the entity, as appropriate, and applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less in scope than those performed in an audit conducted in accordance with the International Standards on Auditing. Accordingly, we do not express an audit opinion on the Combined Carve-Out Interim Condensed Financial Statements.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the Combined Carve-Out Interim Condensed Financial Statements for the period 1 January 2021 - 30 September 2021 of Codan Denmark has not been prepared, in all material respects, in accordance with the Accounting policies including Basis of preparation and Basis of combination as described in Note 1 to the Combined Carve-Out Interim Condensed Financial Statements.

#### *Emphasis of matter – Accounting policies*

We draw attention to Note 1 to the Combined Carve-Out Interim Condensed Financial Statements, which describes the Accounting policies, including Basis of preparation and Basis of combination, including the approach to and purpose of preparing them. Consequently, Codan Denmark's Combined Carve-Out Interim Condensed Financial Statements may not necessarily be indicative of the financial performance that would have been achieved if Codan Denmark had operated as an independent entity, nor may they be indicative of the results of operations of Codan Denmark for any future period. The Combined Carve-Out Interim Condensed Financial Statements are prepared specifically for the purpose of the Prospectus.

As a result, the Combined Carve-Out Interim Condensed Financial Statements may not be suitable for another purpose.

Our conclusion is not modified in respect of this matter.

#### *Other matter – Review of comparative financial information in the Combined Carve-Out Interim Condensed Financial Statements*

We draw attention to that the financial information related to the period 1 January – 30 September 2020 included in the Combined Carve-Out Interim Condensed Financial Statements as comparative figures, have not been reviewed or audited.

Our conclusion is not modified in respect of this matter.

Copenhagen, 8 November 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Henrik Barner Christiansen

State Authorised

Public Accountant

mne10778

Kim Moeslund Schmidt

State Authorised

Public Accountant

mne34552

**Combined Carve-Out Interim Condensed Statement of Profit or Loss for the nine months ended 30 September 2021 and 30 September 2020**

<b>DKKm</b>	<b>Note</b>	<b>30 September 2021</b>	<b>30 September 2020</b>
<b>General Insurance</b>			
Gross premiums written		4,342	4,404
Ceded insurance premiums		-445	-454
Change in premium provision		-353	-380
Change in profit margin and risk margin		178	56
Change in reinsurer's share of premium provision		22	194
<b>Premium income, net of reinsurance</b>		<b>3,744</b>	<b>3,820</b>
Claims paid		-2,677	-2,933
Reinsurance cover received		216	175
Change in claims provisions		315	98
Change in risk margin		50	3
Change in the reinsurers' share of claims provision		-152	134
<b>Claims, net of reinsurance</b>	<b>3</b>	<b>-2,248</b>	<b>-2,523</b>
<b>Bonus and premium discounts</b>		<b>-27</b>	<b>-43</b>
Acquisition costs		-694	-580
Administration expenses		-202	-222
<b>Acquisition costs and administration expenses</b>		<b>-896</b>	<b>-802</b>
Reinsurance commissions and profit participation		21	20
<b>Insurance operating costs, net of reinsurance</b>		<b>-875</b>	<b>-782</b>
<b>Technical result</b>		<b>594</b>	<b>472</b>
Interest income and dividends		177	162
Value adjustments		-290	-93
Interest expenses		-45	-6
Investment management expenses		-22	-22
<b>Total investment return</b>		<b>-180</b>	<b>41</b>
Return on insurance provisions		182	-97
<b>Total investment return after insurance technical interest</b>		<b>2</b>	<b>-56</b>
Other costs		-84	0
<b>Profit/loss before tax</b>		<b>512</b>	<b>416</b>
Tax		-120	-89
<b>Profit/loss for the period</b>		<b>392</b>	<b>327</b>

The notes on pages F-70 to F-79 are an integral part of these Combined Carve-Out Interim Condensed Financial Statements

**Combined Carve-Out Interim Condensed Statement of Comprehensive Income for the nine months ended 30 September 2021 and 30 September 2020**

DKKm	Note	30 September 2021	30 September 2020
<b>Profit for the period</b>		<b>392</b>	<b>327</b>
<b>Other comprehensive income</b>			
Unrealised gain/loss operational hedge		-5	-1
Operational hedge related income tax		1	0
Other comprehensive income		0	-29
<b>Other comprehensive income</b>		<b>-4</b>	<b>-30</b>
<b>Total comprehensive income</b>		<b>388</b>	<b>297</b>

The notes on pages F-70 to F-79 are an integral part of these Combined Carve-Out Interim Condensed Financial Statements

**Combined Carve-Out Interim Condensed Statement of Financial Position for the period ended 30 September 2021 and 31 December 2020**

DKKm	Note	30 September 2021	31 December 2020
<b>Assets</b>			
<b>Intangible assets</b>		<b>615</b>	<b>622</b>
Operating equipment		95	29
Land and Buildings (ROU)		114	44
<b>Property, plant and equipment</b>		<b>209</b>	<b>73</b>
<b>Loans to related parties</b>		<b>0</b>	<b>500</b>
Equity investments		283	267
Unit trust		589	616
Bonds		9,878	10,084
Other lending		376	304
Derivative financial instruments		2	1
<b>Total other financial investment assets</b>		<b>11,128</b>	<b>11,272</b>
<b>Total investment assets</b>	4	<b>11,128</b>	<b>11,772</b>
Reinsurers' share of premium provisions		146	114
Reinsurers' share of claims provisions		463	611
<b>Total reinsurers' share of provisions for insurance contracts</b>		<b>609</b>	<b>725</b>
Receivables from policyholders		754	886
Receivables from brokers		6	7
<b>Total receivables in connection with direct insurance contracts</b>		<b>760</b>	<b>893</b>
Receivables from insurance enterprises		70	85
Receivables from related parties	6	3,636	2,229
Other receivables		62	128

DKKm	Note	30 September 2021	31 December 2020
<b>Total receivables</b>		<b>5,137</b>	<b>4,060</b>
Current tax assets		0	0
Deferred tax assets		0	0
Cash at bank and in hand		461	486
<b>Total other assets</b>		<b>461</b>	<b>486</b>
Interest and rent receivable		47	70
Other prepayments and accrued income		74	42
<b>Total prepayments and accrued income</b>		<b>121</b>	<b>112</b>
<b>Total assets</b>		<b>17,671</b>	<b>17,125</b>
<b>Net parent investment and liabilities</b>			
<b>Net parent investment</b>		<b>4,810</b>	<b>3,451</b>
Premium provisions		1,127	767
Profit margin on general insurance contracts		417	513
Claims provisions		8,584	9,070
Risk margin on general insurance contracts		663	795
Provisions for bonuses and premium discounts		65	82
<b>Total provisions for insurance contracts</b>		<b>10,856</b>	<b>11,227</b>
Deferred tax liability		432	393
Other provisions		24	54
<b>Total provisions</b>		<b>456</b>	<b>447</b>
<b>Deposits with ceding undertakings</b>		<b>0</b>	<b>0</b>
Debt relating to direct insurance		123	148
Debt relating to reinsurance		16	18
Amounts owed to credit institutions		0	600
Debt to related parties	6	634	560
Lease liability		212	86
Current tax liabilities		96	24
Other debt		443	495
<b>Other Liabilities</b>		<b>1,524</b>	<b>1,931</b>
<b>Accruals and deferred income</b>		<b>25</b>	<b>69</b>
<b>Total net parent investment and liabilities</b>		<b>17,671</b>	<b>17,125</b>

The notes on pages F-70 to F-79 are an integral part of these Combined Carve-Out Interim Condensed financial statements

**Combined Carve-Out Interim Condensed Statement of Changes in Net parent investment for the period ended 30 September 2021 and 30 September 2020**

<b>DKKm</b>	<b>Total Net parent investment</b>
<b>Nine months ended 30 September 2021</b>	
<b>Net parent investment at the beginning of the period</b>	<b>3,451</b>
Profit/loss for the period	392
Other comprehensive income	-4
<b>Total comprehensive income</b>	<b>388</b>
Capital injection**	71
Net dividends/transfers to/from RSA*	-481
Branch capitalisation*	1,381
<b>Changes in Net parent investment the nine month ended 30 September 2021</b>	<b>1,359</b>
<b>Net parent investment at the end of the period</b>	<b>4,810</b>

<b>DKKm</b>	<b>Total Net parent investment</b>
<b>Nine months ended 30 September 2020</b>	
<b>Net parent investment at the beginning of the period</b>	<b>3,714</b>
Profit/loss for the period	<b>327</b>
Other comprehensive income	-30
<b>Total comprehensive income</b>	<b>297</b>
Net dividends/transfers to/from RSA*	0
Branch capitalisation*	728
<b>Changes in Net parent investment the nine month ended 30 September 2020</b>	<b>1,025</b>
<b>Net parent investment at the end of the period</b>	<b>4,739</b>

In the Demerger Agreement it has been agreed that capital adjustments to Codan Denmark in amount of DKK -246 million, will be made if and when the demerger is approved and registered by the Authorities. These capital adjustments are not recognized in the Combined Carve-Out Financial Statements. The capital adjustments are included in the pro forma balance sheet as at 30 September 2021 as presented in this Prospectus Part I, section 13.9 – “Unaudited Pro Forma Financial Information” – “Unaudited pro forma balance sheet relating to the Enlarged Group as of 30 September 2021”.

\* Net dividends/transfers to/from RSA and Branch capitalisation are explained in Note 1 Accounting policies under the section Net Parent Investment

\*\*Injection of capital, Chopin Forsikring A/S

**Combined Carve-Out Interim Condensed Cash Flow Statement for the nine months ended 30 September 2021 and 30 September 2020**

<b>DKKm</b>	<b>30 September 2021</b>	<b>30 September 2020</b>
<b>Cash from operating activities</b>		
Premiums	4,297	4,344
Changes in insurance debtors	134	82
Claims paid	-2,677	-2,933
Change in insurance payables	-25	-46
Ceded business	-229	-279
Change in reinsurance receivables/payables	14	-23
Costs	-896	-804
Depreciation and amortisation	106	115
Change in other debt and other amounts receivable	-63	34
<b>Cash flows from / used in insurance activities</b>	<b>661</b>	<b>490</b>
Interest received	199	167
Interest paid	-45	-6
Income taxes paid	-9	-17
<b>Cash flows from operating activities</b>	<b>806</b>	<b>634</b>
<b>Investment</b>		
Purchase of equity investments and unit trust	-130	-193
Sale of equity investments and unit trust	165	75
Purchase of bonds	-7,155	-2,235
Sale of bonds	8,364	3,704
Purchase of Other loans and other investment assets	-87	0
Loss on sale of derivatives	-28	-46
Acquisition of intangible assets	-7	-15
<b>Cash flows from / used in investments</b>	<b>1,122</b>	<b>1,290</b>
<b>Financing</b>		
Net dividends/transfers to/from RSA	-481	0
Lease payments	-39	-41
Change in amounts owed to/from related parties	-1,333	-1,872
Repayment of loans by related parties	500	0
Proceeds from credit institutions	3,025	4,751
Repayments to credit institutions	-3,625	-4,651
<b>Cash flows from / (used in) financing</b>	<b>-1,953</b>	<b>-1,813</b>
<b>Change in cash and cash equivalents</b>	<b>-25</b>	<b>111</b>
Cash and cash equivalents 1 January	<b>486</b>	<b>314</b>
<b>Cash and cash equivalent 30 September</b>	<b>461</b>	<b>425</b>

**The notes on pages F-70 to F-79 are an integral part of these Combined Carve-Out Interim Condensed Financial Statements**



## **Notes to the Combined Carve-Out Interim Condensed financial statements**

### **1. Accounting policies**

The accounting policies are unchanged from the policies applied in the Combined Carve-Out Financial Statements for the financial years ended 31 December 2020, 2019 and 2018, to which reference is made.

A number of amended IFRS standards have become effective from 1 January 2021. These have been implemented by Codan Denmark without any impact on the Combined Carve-Out Interim Condensed Financial Statements for the financial period 1 January 2021 – 30 September 2021.

### **Elements of the Combined Carve-Out Interim Condensed Financial Statements**

Codan Denmark, which is carved-out of Codan Forsikring A/S and combined, consists of:

- all assets and liabilities of the Danish branch and the US Branch of Codan Forsikring A/S, except for the investment in the Trygg-Hansa branch, in Holmia Livförsäkring AB, in the Codan Norway branch, in CAB Group AB and derivative financial instruments in Codan Denmark used for hedging the net investment in Trygg-Hansa,
- Forsikringselskabet Privatsikring A/S, the Danish incorporated entity wholly owned by Codan Forsikring A/S,
- Chopin Forsikring A/S, a Danish incorporated entity wholly owned by Codan A/S,
- all assets and liabilities of the Swedish Marine business of Codan Forsikring A/S; and
- specific tangible and intangible IT assets transferred in 2020 from the Swedish and Norwegian business of Codan Forsikring A/S agreed upon in the Separation Agreement. This includes both owned and leased assets capitalized under IFRS16.

### **Basis of preparation**

Codan Denmark has not previously constituted a separate legal entity or group for the period under review and hence historical financial statements have not previously been presented for the combined carve-out operations for the period under review. Accordingly, the Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the financial period 1 January 2021 – 30 September 2021, which have been prepared specifically for the purpose of meeting the requirements of the EU Prospectus Regulation, are prepared on a basis that combines the results of operations, assets and liabilities and cash flows of Codan Denmark by applying principles underlying the consolidation procedures under IFRS 10 (Consolidated Financial Statements).

The Combined Carve-Out Interim Condensed Financial Statements do not constitute a set of general-purpose interim financial statements under IAS 34, because Codan Denmark does not constitute a legal entity or group as defined by IFRS 10 which as a general principle requires a parent entity to prepare consolidated financial statements under the concept of 'control'. Thus, the Com-

Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the financial period 1 January 2021 – 30 September 2021 do neither include an unreserved statement of compliance with IFRS or IAS 34 “Interim Financial Reporting”.

The Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the financial period 1 January 2021 – 30 September 2021 have been prepared for illustrative purposes only and address a hypothetical situation; they therefore do not necessarily reflect the actual financial position, results of operations or cash flows of Codan Denmark that would have been realised had Codan Denmark been a separate entity during the period under review nor the future results of Codan Denmark as it will exist upon completion of the Demerger.

The acquisition of Codan Denmark will be made through acquisition of the legal entity Chopin Forsikring, that holds the necessary license by the Danish FSA for conducting insurance business, to which the operations of Codan Denmark will be injected through the Demerger of Codan Forsikring.

The Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the financial period 1 January 2021 – 30 September 2021 have been prepared on the basis of the accounting records of the business of Codan Denmark as defined in the 2020, 2019 and 2018 Combined Carve-Out Financial Statements of Codan Denmark.

The Combined Carve-Out Interim Condensed Financial Statements of Codan Denmark for the nine months period ended 30 September 2021, have been prepared in accordance with the recognition and measurement principles of IAS 34 “Interim Financial Reporting” as adopted by EU, except for:

- IFRS 10 (Consolidated Financial Statements) — IFRS 10 establishes a general principle that parent entities should present consolidated financial statements when it controls one or more entities. Codan Denmark has not previously constituted a legal group and consequently, Codan Denmark is not permitted by IFRS 10 to present consolidated financial statements. The Combined Carve-Out Interim Condensed Financial Statements have been prepared by applying the underlying principles of IFRS 10 for consolidation procedures.

Furthermore, the following disclosure requirement in IAS 34 have not been complied with in all aspects as the information is not readily available for Codan Denmark:

- Derivative contracts are entered into by legal entities within RSA Scandinavia and have been allocated to Codan Denmark if they are direct attributable to Codan Denmark, but the underlying systems do not support the disclosure requirements on the segregated basis, thus the Combined Carve-Out Interim Condensed Financial Statements for the financial period ended 30 September 2021 do not include all disclosures on derivatives required by IAS 34. Similarly, disclosure of valuation techniques used in measuring level 2 and level 3 fair values and the significant unobservable inputs used has not been provided in the Combined Carve-Out Interim Condensed Financial Statement for Codan Denmark.
- As the Combined Carve-Out Interim Condensed Financial Statements represent segregation of legal entities within RSA Scandinavia the split of equity reserves into reserve line items has not and cannot be performed on a relevant and reliable basis.

In the Demerger Agreement it has been agreed that capital adjustments to Codan Denmark will be made if and when the Demerger is approved and registered by the Authorities. These capital adjustments are not recognised in the Combined Carve-Out Interim Condensed Financial Statements. The capital adjustments are included in the pro forma balance sheet as at 31 December 2020 as presented in this Prospectus Part I, section 13.8 – “Unaudited Pro Forma Financial Information” – “Unaudited pro forma balance sheet relating to the Enlarged Group as of 31 December 2020”.

The application of IAS 34 means that the report is limited relative to the presentation of a full annual report.

### **Basis of combination**

The following accounting and other principles have also been applied in the preparation of the Codan Denmark Combined Carve-Out Financial Statements:

- Intercompany transactions within Codan Denmark have been eliminated from the Codan Denmark Combined Carve-Out Interim Condensed Financial Statements. Transactions with other RSA Group entities previously considered as intercompany transactions by RSA have been treated as transactions with related parties for purposes of the Codan Denmark Combined Carve-Out Interim Condensed Financial Statements.
- Direct and overhead costs are centrally managed by the Danish branch of Codan Forsikring and include services such as finance and accounting, information technology and human resources. Centrally provided services have historically been recharged from the Danish branch of Codan Forsikring to individual branches and legal entities within RSA Scandinavia. These historically recharges are included in the Codan Denmark Combined Carve-Out Interim Condensed Financial Statements. These cost allocations were affected by arrangements that existed in RSA Group and therefore do not necessarily reflect the representative position of Codan Denmark had it been a separate entity during the periods under review nor the position that will prevail upon completion of the Transaction.
- Codan Denmark have neither in the past constituted a separate legal group nor presented any stand-alone consolidated financial statements. Therefore, it is not meaningful to present share capital or an analysis of reserves. Net parent investment of Codan Denmark is made up of combined carve-out interim condensed assets less combined carve-out interim condensed liabilities that have been identified as belonging to the operations and entities being combined (net parent investment). As the combined carve-out operations and entities do not constitute one legal entity or group, net parent investment is theoretical and cannot be reconciled to information of identifiable legal entities.
- Trygg-Hansa and Codan Norway are branches of Codan Forsikring and are not included in the Combined Carve-Out Interim Condensed Financial Statements and has been carved out without any compensation to Codan Denmark. The resulting adjustment has been recognised in net parent investment on 1 January 2018 in the Codan Denmark Combined Carve-Out Financial Statements.

- Codan Denmark participates in the share-based incentive plans established by RSA with members of the board of management and material risk takers eligible for such schemes. The Codan Denmark Combined Carve-out Interim Condensed Financial Statements include employee cost allocations related to these participations as part of allocation of centrally managed costs as described above. These cost allocations may not be indicative of future expenses that will be incurred through incentive schemes for key personnel upon completion of the Transaction.
- Intercompany balances and loans between Codan Denmark and other entities within the RSA Group are presented as receivables from related parties and debt to related parties.
- Derivatives contracts are entered into by legal entities within RSA Scandinavia and have been allocated to Codan Denmark in the Codan Denmark Combined Carve-out Interim Condensed Financial Statements if they are directly attributable to Codan Denmark. Derivatives financial instruments allocated to The Codan Denmark Combined Carve-out Interim Condensed Financial Statements comprise foreign exchange contracts and repurchase contracts.
- The Income tax charge included in the Codan Denmark Combined Carve-out Interim Condensed Financial Statements reflects the aggregate of the income tax charges actually incurred by Codan Denmark during the periods under review. The tax positions include the benefit, reliefs and charges which arose as being part of the RSA Group are therefore not necessarily representative of what the tax position will be under separate ownership. Tax calculated on adjustments applied in the preparation of the Codan Denmark Combined Carve-Out Interim Condensed Financial Statements is based on the Danish tax rate for the periods under review (22%).

The functional currency of each branch within Codan Denmark is translated into DKK, unless otherwise specified.

## 2. Technical result, net of reinsurance by operating segment

DKKm	Personal	Commercial
<b>Nine months ended 30 September 2021</b>		
Gross premium income	1,624	2,516
Gross claims incurred	-810	-1,502
Gross operating expenses	-458	-438
<b>Profit/loss on gross business</b>	<b>356</b>	<b>576</b>
Profit/loss from reinsurance	-21	-317
<b>Technical result</b>	<b>335</b>	<b>259</b>
Gross claims ratio	49.9%	59.7%
Net reinsurance ratio	1.3%	12.6%
Claims experience	51.2%	72.3%
Gross expense ratio	28.2%	17.4%
Combined ratio	79.4%	89.7%

DKKm	Personal	Commercial
<b>Nine months ended 30 September 2020</b>		
Gross premium income	1,634	2,403
Gross claims incurred	-1,028	-1,804
Gross operating expenses	-370	-432
Profit/loss on gross business	236	167
Profit/loss from reinsurance	-1	70
<b>Technical result</b>	<b>235</b>	<b>237</b>
Gross claims ratio	62.9%	75.1%
Net reinsurance ratio	0.1%	-2.9%
Claims experience	63.0%	72.2%
Gross expense ratio	22.6%	18.0%
Combined ratio	85.6%	90.2%

### 3. Claims, net of reinsurance

DKKm	30 September 2021	30 September 2020
Claims	-2,640	-3,117
Run-off previous years, gross	328	285
	<b>-2,312</b>	<b>-2,832</b>
Reinsurance cover received	139	228
Run-off previous years, reinsurers' share	-75	81
	<b>64</b>	<b>309</b>
Claims, net of reinsurance	<b>-2,248</b>	<b>-2,523</b>

### 4. Financial assets and liabilities

#### *Fair value hierarchy*

Fair value for all assets and liabilities which are either measured or disclosed is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry

group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For level 1 and level 2 investments, Codan Denmark uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded Codan Denmark determines whether the prices meet the criteria for classification as a level 1 valuation. The price provided is classified as a level 1 valuation when it represents the price at which the investment traded at the reporting date taking into account the frequency and volume of trading of the individual investment together with the spread of prices that are quoted at the reporting date for such trades.

Typically, investments in frequently traded government debt would meet the criteria for classification in the level 1 category. Where the prices provided do not meet the criteria for classification in the level 1 category, the prices are classified in the level 2 category.

In certain circumstances, Codan Denmark does not receive pricing information from an external provider for its financial investments. In such circumstances Codan Denmark calculates fair value which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Valuations that require the significant use of unobservable data are classified as level 3 valuations and inputs are generally determined via reference to observable inputs, historical observations or using other analytical techniques. In addition, the valuations used for investment properties and for group occupied properties are classified in the level 3 category.

The following table provides an analysis of financial instruments and other items that are measured subsequent to initial recognition at fair value as well as financial liabilities not measured at fair value, grouped into levels 1 to 3. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

DKKm	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
<b>30 September 2021</b>				
Equity investments	229	0	54	283
Units in open-ended funds	0	0	589	589
Bonds	1,911	7,424	543	9,878
Other loans	0	0	376	376
Derivative financial instruments	0	2	0	2
<b>Assets measured at fair value</b>	<b>2,140</b>	<b>7,426</b>	<b>1,562</b>	<b>11,128</b>

DKKkM	Credit Investments	Equity Investments	Total
<b>Development in level 3 financial instruments</b>			
<b>30 September 2021</b>			
Opening balance	919	56	975
Currency translation adjustments	23	1	24
Total gains or losses for the period	2	-3	-1
Purchases	719	0	719
Sales	-155	0	-155
<b>Closing balance</b>	<b>1508</b>	<b>54</b>	<b>1,562</b>

DKKkM	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
<b>31 December 2020</b>				
Equity investments	211	-	56	267
Units in open-ended funds	1	-	615	616
Bonds	288	9,796	-	10,084
Other loans	-	-	304	304
Derivative financial instruments	-	1	-	1
<b>Assets measured at fair value</b>	<b>500</b>	<b>9,797</b>	<b>975</b>	<b>11,272</b>

DKKkM	Credit Investments	Equity Investments	Total
<b>Development in level 3 financial instruments</b>			
<b>31 December 2020</b>			
Opening balance	635	4	639
Total gains or losses for the period	-9	19	10
Purchases	356	33	389
Sales	-63	-	-63
<b>Closing balance</b>	<b>919</b>	<b>56</b>	<b>975</b>

## 5. Contractual obligations, collateral, and contingent liabilities

DKKkM	30 September 2021	30 September 2020	31 December 2020
VAT ad liability in connection with purchase of intangible assets	2	2	2
VAT cases	20	27	27
Non-technical Resource and non-recourse			
Guarantee Commitments	5	22	14
Service agreements (IT and telephony)	35	14	29
Commitment future lease agreements	57	-	170
Operational lease non-IFRS 16	2	2	24
Other contractual obligations	248	346	436
<b>Total</b>	<b>369</b>	<b>413</b>	<b>702</b>

Codan Forsikring A/S and Privatsikring A/S are cooperating with other insurers to provide joint cover of certain types of insurance risks. In addition to Codan Forsikring A/S and Privatsikring A/S' own share of such risks, which is included in the annual report, the company are jointly and severally liable for the other insurers' share of the insurance liabilities. However, in view of the fact that these insurers are sound companies, the risk is largely minimal.

Codan Forsikring A/S and Privatsikring A/S signed contracts with external companies for the purpose of selling insurance products.

Codan Forsikring A/S and Privatsikring A/S are jointly registered with the majority of the Codan Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such taxes.

Codan Forsikring A/S and Privatsikring A/S are jointly and severally liable together with other companies participating in the joint taxation for any dividend tax and royalties imposed within the joint taxation payable by 1 July 2012 or later.

Likewise, Codan Forsikring A/S and Privatsikring A/S are jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year 2013.

Codan Forsikring A/S and Privatsikring A/S entered into agreements with other companies in the Codan Group on the sale of insurance products, investment management, reinsurance, provision of administrative services, etc.

## **6. Related parties**

### *Information on related parties*

The ultimate parent of Codan Denmark until 31 May 2021 was RSA Insurance Group plc, 20 Fenchurch Street, London, England, which owned 100% of RSA Scandinavia, with Codan A/S as the sub-holding company, through a wholly owned subsidiary. From 1st June 2021, the ultimate holding company of Codan Denmark, and Codan A/S, is Scandi JV Co A/S which is ultimately owned by Intact Financial Corporation and Tryg A/S. Following the Demerger (targeted H1 2022) and until completion, the ultimate holding company of Codan Denmark will be Scandi JV Co 2 A/S which is ultimately owned by Intact Financial Corporation and Tryg A/S.

### *Related party transactions*

Except for transactions with related parties within the due course of business, Codan Denmark has entered into the following significant transactions with related parties during the period 1 January 2021 – 30 September 2021:

During the financial period ended 30 September 2021 and 30 September 2020, net dividends/transfers to/from RSA amounts to DKK -481 million in 2021 and DKK 0 million in 2020.

As of 30 September 2021, Codan Denmark had a loan to Codan A/S of DKK 0 million (30 September 2020: DKK 1,000 million). The loan was obtained on an arm's length basis. The loan was fully



settled on 1 June 2021. The interest rate for the loan was based the 12-month CIBOR plus a margin of a margin of 0.6% p.a. (30 September 2019: 0.6% p.a.). The interest income amounted to DKK 1.6 million as of 30 September 2021 (30 September 2020: DKK 4.9 million) and was accrued on a monthly basis and settled yearly and at termination.

Codan Denmark entered into reinsurance agreements with companies in the RSA Group on an arm's length basis. Included in this is a 100% quote sharing programme on the Marine Hull portfolio with RSA & Sun Alliance Insurance plc. The program covers all policies, new or renewed, issued during the contract period and has been closed on a cost-plus basis.

As of 30 September 2021, receivables from related parties were DKK 3,636 million (30 September 2020: DKK 3,165 million) which primarily relate to branch capitalisation and other transactions entered into with RSA Group entities in the ordinary course of business. Outstanding balances are unsecured, interest free and repayable on demand except for branch capitalisation.

As of 30 September 2021, other payables to related parties were DKK 634 million (30 September 2020: DKK 443 million) which relate to transactions entered into with other RSA Group entities in the ordinary course of business. Outstanding balances are unsecured, interest free and repayable on demand except for branch capitalisation.

#### **Board of directors, board of management and employees**

Codan Denmark related parties furthermore include the members of the board of directors and the board of management of the parent company, Codan A/S, as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the board of directors and the board of management, executives, major shareholders or other related parties.

Remuneration of the Board of directors, Board of management, and Material Risk-takers is allocated between Codan Forsikring and the parent company Codan A/S. The specification below contain the total remuneration.

	<b>30 September 2021</b>	<b>30 September 2020</b>
<b><u>(DKKm)</u></b>		
<b>Remuneration of the board of directors</b>	<b>1.5</b>	<b>1.7</b>
<b>Remuneration of the executive management</b>		
Wages and salaries	6.5	5.9
Bonuses	0.7	2.0
Pension Benefits	0.3	0.2
Long term incentive plan	-	-
Redundancy Benefits	7.1	-
<b>Remuneration of the board of management</b>	<b>14.6</b>	<b>8.1</b>

	30 September 2021	30 September 2020
<b><u>(DKKm)</u></b>		
Number of employees in the board of management	2	2
<b>Remuneration of the risk takers</b>		
Wages and salaries	55.2	53.5
Pension benefits	7.9	7.4
<b>Remuneration of risk takers</b>	<b>63.1</b>	<b>60.8</b>
Number of risk takers	48	54

#### **7. Events subsequent to 30 September 2021**

The Codan Insurance Company Ltd (US Branch) has withdrawn its licensing status in New York effective 19 October 2021.

Besides the above, no events of material importance to the Combined Carve-Out Interim Condensed Statement of 16 Financial Position or business affairs have occurred subsequent to 30 September 2021.