MEMORANDUM

Alm. Brand A/S – annual general meeting to be held on 27 April 2011 – re agenda item f.: Proposed resolution from the Board of Directors on the approval of a remuneration policy for the Alm. Brand Group

Background

On 16 December 2010, the Danish parliament passed a Bill to amend the Danish Financial Business Act, which requires financial businesses and others to lay down a remuneration policy that is consistent with and promotes sound and effective risk management.

The Act came into force on 1 January 2011. As the Act came into force shortly after the passing of the Bill, the Danish Financial Supervisory Authority has informally indicated at meetings with the industry that it would be acceptable if companies would meet the requirements of the Act by the time of the annual general meetings for 2011.

As a consequence of the Act, Alm. Brand A/S and Alm. Brand Forsikring A/S have each set up a remuneration committee.

The Act applies to financial businesses and financial holding companies supervised by the Danish Financial Supervisory Authority. Accordingly, the new requirement e.g. for the drafting of a remuneration policy applies to Alm. Brand af 1792 fmba, Alm. Brand A/S, Alm. Brand Forsikring A/S, Alm. Brand Bank A/S and Alm. Brand Liv og Pension A/S.

With a view to ensuring optimum transparency and consistency of the remuneration policies for the individual companies and the individuals comprised in the group, it has been resolved to draft the remuneration policies as one document to the effect that they constitute a group policy.

The rules of the new provisions are highly complex, detailed and comprehensive. The Act implements the provisions of a number of EU directives in Danish law.

Strategy for implementation of the rules in the Alm. Brand Group

The remuneration policy has been approved by the boards of directors of the companies referred to above, and under the Act it must also be presented for approval at the companies' annual general meetings.

The following overall implementation strategy has been chosen:

1. The use of variable salary/bonus for employees comprised by the Act should be limited to a minimum number of employees.

   The reason for this is the complexity of applying the rules in practice and the fact that they do not provide the necessary assurance that a scheme in compliance with the Act would have the proper and necessary impact on employee behaviour.

   The intention is to limit the use of variable salary in relation to the individuals comprised by the Act to solely apply to management board members and risk takers who are members of senior management.

2. Existing agreements and schemes on variable salary/bonus should be maintained to the extent possible and expedient.

The Act applies to new agreements made after 1 January 2011 and to agreements renewed or extended after the said date. The way in which contracts and agreements have been drafted for the individuals referred to above does not require any renewal or extension, and thus they may continue.

Currently, Alm. Brand operates a bonus scheme for management board members and senior management. The bonus scheme largely meets the purpose of the Act, i.e. to ensure sound and effective risk management focusing on long-term performance, since bonuses earned in any one year only trigger payment of 30% of the bonus in cash, and since the payment of the remaining portion is subject to a satisfactory return on equity for the next year and the year after that.

3. In 2011, developments will be monitored, and knowledge and experience of the scope and implications of the Act will gathered, and a new specific model for variable salary/bonus will be drafted for the group employees who will be eligible for variable salary in future.

   The Act is very detailed and stipulates a number of new concepts and limitations. Thus, we consider it an advantage to spend 2011 preparing the future model, as the industry is gradually gaining experience of the Act, and as any tax issues are settled and the Danish Financial Supervisory Authority has clarified the interpretation of the Act.

Drafting of remuneration policy

Under the wording of the Act, companies must have an approved remuneration policy in order to be able to enter into an agreement on variable salary for the individuals comprised by the Act. As mentioned above, even if we do not expect to implement a new bonus model until in 2012, we must already now draft a remuneration policy, which will define a framework for a specific model in the long term.

Remuneration policy of the Alm. Brand Group

The remuneration policy approved by the boards of directors of the above companies defines the following framework (key points) under the rules of the Act:

1. The purpose of the remuneration policy has been defined on the basis of the Act and the travaux preparatoires of the Act (clause 1 of the remuneration policy)
2. The definition of the employees deemed to be significant risk takers or involved in control functions/auditing and hence comprised by the remuneration policy.
3. That the boards of directors only receive a fixed fee, as has been the practice to date (clause 4 of the remuneration policy).
4. That the current agreement with management board members on variable salary (bonus) will continue unchanged in 2011, and that during 2011 a new agreement on variable salary will be drafted (clause 5 of the remuneration policy).
5. That the current agreement on variable salary (bonus) for the significant risk takers who are also ABKO members will continue unchanged in 2011, and that during 2011 a new agreement on variable salary will be drafted. That other significant risk takers are not eligible for variable salary (clause 6 of the remuneration policy).
6. That the following framework applies to the principles for variable salary (clause 7 of the remuneration policy):
   a. The variable salary component for management board members and significant risk takers, respectively, may not exceed 50% of the fixed salary and pension, corresponding to the maximum applying to management board members under the Act. A special threshold of 20% applies to the bank's management board during the period when the bank is subject to section 77 b of the Danish Financial Business Act on state-funded capital injections.
   b. The distribution between variable salary paid in cash and variable salary settled by way of non-cash instruments (equal to the minimum requirement stipulated in the Act).
   c. The use of non-cash instruments is in compliance with the description in the Act.
   d. The part of the variable salary to be postponed, the period and form of postponement.

e. The framework for weighting of the mandatory measurement parameters: individual, department and company.
f. The criteria applied in the granting of variable salary components.
g. That postponed variable salary components may be paid in part if not all criteria are fulfilled at the postponed date of payment.

7. That no pension benefits are granted as variable salary components (clause 8 of the remuneration policy).
8. That in connection with new appointments of individuals comprised by the remuneration policy, a maximum of two years' severance pay may be provided. Corresponds to the corporate governance recommendations (clause 9 of the remuneration policy).
9. Guidelines for publication. Complies with the requirements of the Act (clause 11 of the remuneration policy).
10. Updating of the remuneration policy (clause 12 of the remuneration policy).
11. Approval by the general meeting. Complies with the requirements of the Act (clause 13 of the remuneration policy).
12. The Internal Audit department is authorised by the boards of directors to monitor the compliance with the remuneration policy and is required to report to the boards of directors (clause 14 of the remuneration policy).

It is **recommended** that the general meeting approve the **enclosed** remuneration policy.

Henrik Gundorph
28 February 2011