MEMORANDUM

Annual general meeting of Alm. Brand A/S to be held on 27 April 2015 – Re agenda item f: Proposal from the Board of Directors on approval of remuneration policy for the Alm. Brand Group and general guidelines regarding incentive-based remuneration in Alm. Brand A/S, cf. section 139 of the Danish Companies Act.

The remuneration policy has been amended in certain respects relative to the previous version.

The amendments made and the reasons for making them are outlined in the following:

- Some amendments are of a purely editorial nature. For example, certain content which already follows from legislation etc. has been deleted.

- New remuneration policy rules were adopted in 2014. In particular, a new regulation concerning the identification of risk takers in Alm. Brand A/S, Alm. Brand Bank A/S and Alm. Brand af 1792 fmba has resulted in new guidelines for the identification of risk takers. The regulation comprises a number of objective criteria for the identification of risk takers. Pursuant to these objective criteria, all managers of a material business unit and managers reporting directly thereto are identified as risk takers. Moreover, the remuneration may indicate that a manager or an employee may be a risk taker. In relation to the individuals receiving the highest salaries who are not already risk takers, an assessment has therefore been made of whether they hold a risk-taker position. Finally, the regulation imposes a requirement to assess whether employees in non-financial enterprises hold a risk-taker position in the group. As a result, the Director of Alm. Brand Leasing A/S has been identified as a risk taker.

- New rules on restrictions in the way in which variable remuneration may be structured for employees of Alm. Brand Bank A/S providing sales and/or advisory services to retail customers have also been implemented in the remuneration policy.

- The Danish FSA's decision of 17 December 2014 entails that the existing agreements between the companies and their executive officers who are members of ABKO, stipulating that a part of the fixed salary consists of share options, must be terminated when the agreements expire at the end of March 2016. This is specified in the remuneration policy.

- According to the FSA decision, new share option agreements may in future be concluded subject to the rules on variable salary, and the boards of directors of the Alm. Brand Group have chosen to comply with this decision. Consequently, the remuneration policy includes the option that management board members and risk takers who are members of ABKO may be granted share options. Grants made under new agreements will be subject to the rules of Danish Financial Business Act on variable salary. Furthermore, the boards of directors have decided to introduce the possibility of concluding agreements on variable salary for other risk takers of the group. The variable salary will be capped at 12.5% of the total fixed salary for members of ABKO and at up to 100% of the fixed salary for other risk takers.

- One characteristic of the variable salary to executive officers and risk takers, cf. applicable law, is that the variable salary scheme must be structured so that the granting of the variable salary is based on grant criteria. Moreover, a portion of the variable salary component, if any, will be transferred immediately, whereas the remainder will be transferred in three, or in the case of executive officers, four portions over a subsequent three-year or four-year period, respectively. Certain criteria must be satisfied for each of the remaining portions of the variable salary to be transferred. Finally, at least 50% of the bonus of each grant must be transferred by way of shares, share options or similar financial instruments. When the lock-up period of three or four years, respectively, has ended, the share options must be tied up for another six months during which no hedging or trading is permitted. Based on new guidance issued by the Danish FSA, it is expected that the last period can be included in a corresponding extension of the vesting period of the share options. The remuneration policy includes an general description of how Alm. Brand intends to manage these terms.

- The legislation provides that sign-on bonus agreements may be concluded in connection with the appointment of executive officers and risk takers, which bonus on certain conditions may be transferred in cash without any postponement. In the remuneration policy, Alm. Brand has introduced the possibility of concluding such sign-on bonus agreements if, on a case-by-case basis, such agreements are deemed to be expedient and relevant.

- In the *Severance pay* subsection of the remuneration policy, a new paragraph has been inserted, which makes it possible, in addition to the existing option of concluding agreements on severance pay in connection with appointment, to also conclude such agreements in connection with severance. The compensation in the latter situation may not exceed the equivalent of 12 months' salary if the amount is to be transferred in cash without any postponement.

Re. section 139 of the Danish Companies Act:

- As a result of the changed nature of the share option scheme, it has been deemed relevant to obtain the shareholders' approval of the amendments made to the general guidelines regarding incentive-based remuneration concerning the continuing incentive-based remuneration scheme. See section 139 of the Danish Companies Act.

- The shareholders must determine the general guidelines for the company's incentive-based remuneration by approving the remuneration policy presented at the annual general meeting. The remuneration policy presented comprises provisions enabling the conclusion of agreements on incentive-based remuneration. A provision on incentive-based remuneration must be included in the company's articles of association subject to which agreements on incentive-based remuneration may be concluded with the management of Alm. Brand A/S.

- Re. general guidelines concerning share option remuneration of Alm. Brand A/S:

    - Under the salary agreement already concluded, which was made before 17 December 2014, share options will continue to be treated as a fixed salary component and in accordance with the conditions previously approved by the shareholders in general meeting. This implies that management board members may be granted share options as a fixed component of their fixed salary, and such component may not exceed 13% as per the remuneration policy. The grant is not subject to any conditions. The options are valued according to the Black-Scholes formula, and at 4 September 2014 the value was DKK 3,82 per option. The options may be exercised in the open window periods, however, not earlier than 35 months and not later than 50 months after the granting of the options. The share option scheme is in the nature of a share-based scheme.

    - *New agreements on share option programmes*
      Any future agreements on a share option scheme will be treated in accordance with the provisions of the Danish Financial Business Act on variable salary. Management board members may be granted share options amounting to a maximum of 12.5% of their total annual salary, cf. the remuneration policy.

      The grant will be subject to conditions, as the scheme will be a variable salary model in accordance with the provisions of the Danish Financial Business Act on variable salary to executive officers. In accordance with the adopted remuneration policy, the criteria are defined by the board of directors based on the companies' circumstances and financial situation and in compliance with the rules and restrictions of the Danish Financial Business Act.

      The share option grants are effected in accordance with the rules applicable from time to time on the granting of variable salary. The individual agreements with each of the management board members thus contain restrictions on disbursement, claw-back provisions, etc.

      The options will continue to be valued according to the Black-Scholes formula.

      The options may be exercised in the open window periods, however, not earlier than 48 or 54 months after the granting of the options. Share options must be exercised within 15 months of the first possible exercise date.

      The share option scheme is in the nature of a share-based scheme.

      For accounting purposes, both schemes are treated as equity-based schemes. This implies that, for accounting purposes, the equity-based scheme is measured at the time of grant, and the value is expensed over the vesting period.

Recommendation

In continuation of the review of the remuneration policy, including an adjusted incentive-based remuneration structure for the management board, it is recommended that the shareholders approve the enclosed remuneration policy and the described amendments to the general guidelines regarding incentive-based remuneration.

Henrik Gundorph, Director, Human Resources
3 March 2015