Memorandum

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To The shareholders of Alm. Brand A/S

From Henrik Gundorph, Director, Human Resources

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Re. agenda item f 2): 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 presented is a continuation of the remuneration policy adopted in 2016.

A description of the amended rules on remuneration and the amendments we have found appropriate and necessary to make is provided below.

The amendments are made to the remuneration policy as well as in relation to the appointment of risk takers.

Regulation
In December 2016, the rules on remuneration applicable to insurance and pension companies were removed from the Danish Financial Business Act and are now to be found in Regulation (EU) 2015/35 of 10 October 2014 (Solvency II) and in Executive Order no. 1583 of 13 December 2016 on remuneration policy and remuneration in insurance companies and insurance holding companies.

In terms of contents, the new rules are more or less unchanged, apart from the provision that the remuneration policy must now include the entire company (not limited to risk takers etc.). In addition, the rules on appointment of material risk takers have been elaborated compared with the rules previously in force.

For the companies Alm. Brand af 1792 fmba, Alm. Brand A/S and Alm. Brand Bank A/S, which continue to be comprised by the remuneration rules of the Financial Business Act, what is new is that the EBA guidelines on sound remuneration policies will form the basis of interpretation of the Danish rules in future. Among other things, this means that the remuneration policy must be designed so as to comprise all employees of the companies. This implies that the remuneration policy must describe how the companies determine the remuneration, it being recommended, among other things, that the remuneration be determined in a way that ensures transparency, supports a long-term and risk-adjusted approach and takes into account conflicts of interest.

Other rules of relevance to Alm. Brand are largely unchanged compared with previously.

Common rules:
For both areas, the rules regarding remuneration committee have been elaborated. The Danish Financial Supervisory Authority notes that the elaboration is solely meant to clarify the existing rules.

Appointment of risk takers
Following a review of the group of appointed risk takers, it has been decided, based on an overall assessment, to recommend that the Group Chief Customer Officer be comprised by the delimitation as a risk taker. The reason for this is that the Group Chief Customer Officer is a member of LEKO, that he is the manager of a number of risk takers in the form of the regional managers and that he holds a position in which he may now alone or acting jointly with others make decisions that could have a significant influence on the risk profile of the bank and other Alm. Brand companies.

Remuneration policy
The enclosed draft new remuneration policy has been amended to include references to the current regulations. This editorial amendment has been made throughout the document.

Remuneration policy, clause 3
The remuneration policy is to be extended to comprise remuneration of all employees. This amendment only means that the remuneration principles determined for the group are described for all employees of the group as a whole.

The remuneration policy has thus been amended to comprise all employees. The basic principles of remuneration in general are set out in a new clause 3, which also contains a specification of salary components.

Remuneration policy, clauses 5 and 6
Re. remuneration of management board members and risk takers, clauses 5 and 6.
Alm. Brand wished that it should be possible for the fixed salary component, which consists of shares, to be retained for up to three years, during which period the recipient would not have the shares at his/her disposal. However, according to the Danish Financial Supervisory Authority, this is not possible as the salary component would in such case be classified as variable remuneration. As a result, the passages in clause 5 and clause 6, respectively, about the retention period for shares granted will be removed.

Remuneration policy, clause 11
Clause 11 on severance pay, among other things, has been amended and clarified. Today, agreements on severance pay have only been made with very few executive officers who are members of ABKO. Moreover, there are no agreements on severance pay exceeding an amount equivalent to 24 months' remuneration. The wording has been amended to reflect this.

The sole aim of amending the wording is to clarify the actual state of affairs.

Recommendation for approval
On this basis, it is recommended that the shareholders of Alm. Brand A/S approve the enclosed remuneration policy for 2017 with the amendments specified therein and approve the enlargement of the group of risk takers.

Alm. Brand A/S

The Board of Directors