

Interim report - first half 2017

Alm. Brand A/S



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Company information

BOARD OF DIRECTORS

Jorgen H. Mikkelsen, Chairman
Jan Skytte Pedersen, Deputy Chairman
Ebbe Castella
Henrik Christensen
Anette Eberhard
Per V. H. Frandsen
Karen Sofie Hansen-Hoeck
Boris N. Kjeldsen
Lars Christiansen
Brian Egested
Helle L. Frederiksen
Susanne Larsen

MANAGEMENT BOARD

Søren Boe Mortensen, Chief Executive Officer

AUDITORS

Deloitte, Statsautoriseret Revisionspartnerselskab

INTERNAL AUDITOR

Poul-Erik Winther, Group Chief Auditor

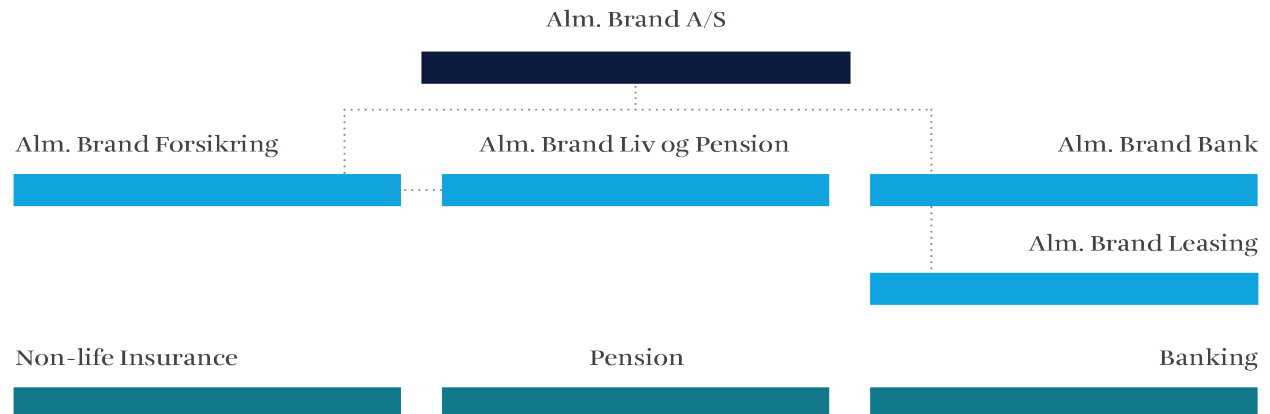
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GROUP STRUCTURE



Companies with negligible or discontinued activities are not included.

Alm. Brand is a listed Danish financial services group focusing on the Danish market. The group carries on non-life insurance, life insurance and pension activities as well as banking activities. The consolidated annual revenue is DKK 7 billion.

The group's insurance and pension products cover private lines, agriculture as well as small and medium-sized enterprises. The bank is focused on private customers, small businesses, leasing and asset management services.

Alm. Brand is Denmark's fourth largest provider of non-life insurance products.



Financial highlights and key ratios

DKKm	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Income					
Non-life Insurance	1,278	1,247	2,545	2,492	5,028
Pension	315	313	713	651	1,281
Banking	170	164	335	332	653
Investments	109	133	260	270	532
Total income	1,872	1,857	3,853	3,745	7,494
Profit					
Non-life Insurance	229	221	465	426	967
Pension	24	26	58	55	84
Banking	24	15	42	23	62
Other activities	-14	-13	-28	-27	-62
Profit/loss before tax, forward-looking activities	263	249	537	477	1,051
Banking, winding-up activities	8	0	6	6	-18
Profit/loss before tax	271	249	543	483	1,033
Tax	-56	-55	-114	-104	-207
Profit/loss after tax	215	194	429	379	826
Consolidated profit/loss before tax, Group	271	249	543	483	1,033
Tax	-56	-55	-114	-104	-207
Consolidated profit/loss after tax, Group	215	194	429	379	826
Provisions for insurance contracts	21,134	20,451	21,134	20,451	20,092
Shareholders' equity	4,684	4,906	4,684	4,906	5,200
Total assets	35,034	35,900	35,034	35,900	34,859
Return on equity before tax p.a. (%)	22.2	19.8	21.4	18.8	20.2
Return on equity after tax p.a. (%)	17.6	15.4	16.9	14.8	16.2
Earnings per share	1.3	1.2	2.6	2.3	5.0
Diluted Earnings per share	1.3	1.1	2.6	2.2	4.9
Net assets value per share	29	29	29	29	31
Share price end of period	58.0	44.6	58.0	44.6	54.0
Share price/Net asset value	2.03	1.54	2.03	1.54	1.73
Average number of shares ('000)	162,213	166,450	162,515	166,979	165,839
No. of shares, diluted ('000)	163,784	169,423	163,784	169,423	166,218
Average no. of shares, diluted ('000)	164,675	170,203	165,135	170,884	169,321
Dividend per share	0.0	0.0	0.0	0.0	1.5
Dividend per share, extraordinary	0.0	0.0	0.0	0.0	3.5
No. of shares bought back ('000)	1,444	1,433	2,604	3,268	6,472
Avr. price of shares bought back, DKK	57.4	46.9	56.5	45.9	47.7
Total payout ratio	0.9	0.9	1.6	2.3	3.7

Alm. Brand Group

Q2 PERFORMANCE

The Alm. Brand Group posted a pre-tax profit of DKK 271 million in Q2 2017, corresponding to a return on equity of 22% p.a. The performance was better than expected and highly satisfactory.

The group's forward-looking activities produced a pre-tax profit of DKK 263 million. This represents a year-on-year improvement of DKK 14 million, reflecting progress in both banking and insurance activities.

The bank's winding-up activities produced a profit of DKK 8 million, against a break-even result last year, which was better than expected.

Non-life Insurance

Our non-life insurance activities generated a pre-tax profit of DKK 229 million in Q2 2017, marking a year-on-year improvement of DKK 7 million. The performance was better than expected.

The combined ratio was 83.8 and was lifted in particular by an unusually low level of expenses for major claims and weather-related claims.

Gross premium income amounted to DKK 1,278 million in Q2 2017, up 2.5% on the year-earlier period. Both the private customer segment and the commercial customer segment improved, reporting growth of 1.9% and 3.2%, respectively. Customer retention remained at a high level with an upward trend in both segments.

In addition, the quarter was affected by a higher expense ratio of 18.4, which was mainly attributable to investments in the new strategy. The expense level was in line with expectations, and the expense ratio guidance for the year as a whole is maintained at about 17.

The investment result was a gain of DKK 22 million, as compared with a DKK 49 million gain in Q2 2016. The favourable investment return in Q2 2017 was primarily driven by a favourable return on the hedging of technical provisions, whereas in Q2 2016 the investment result was affected by significantly better-than-expected returns on short-term mortgage bonds.

Pension

Our pension activities generated a pre-tax profit of DKK 24 million in Q2 2017, which was better than expected, being lifted in particular by an improved risk result.

Total pension contributions increased by 1.8% year on year. Single payments were up by 2.1%, while regular

payments declined slightly by 0.8%. Adjusted for the group life business, regular payments increased by 4.5%, which was satisfactory.

The bonus rate was 24.3% at 30 June 2017, marking a year-to-date improvement of 4.2 percentage points. In addition to a satisfactory Q2 investment result, the increase was mainly driven by the sale of the property at City Hall Square in Copenhagen, which produced a gain of just over DKK 200 million. The bonus rate was highly satisfactory, ensuring that Alm. Brand Pension can continue to offer the industry's highest rates on policyholders' savings for guaranteed products.

Banking

The banking activities generated a pre-tax profit of DKK 32 million in Q2 2017. This was an improvement of DKK 17 million from a profit of DKK 15 million in Q2 2016. The performance was better than expected and satisfactory.

The profit was composed of a profit of DKK 24 million on forward-looking activities and DKK 8 million on winding-up activities.

Forward-looking activities

The profit of DKK 24 million on the bank's forward-looking activities was a DKK 9 million improvement year on year, which was driven mostly by capital gains on the bank's bond portfolio as well as by reversed impairment writedowns.

Alm. Brand Bank continued to attract new customers and also increased its lending and generated growth in the volume of mortgage loans for which it acted as intermediary. Over the past 12 months, the number of Pluskunder has increased by 9%, and lending to the bank's private customers has grown by 5%. The market remains highly competitive, especially for new lending to private customers.

The portfolio of Totalkredit loans for which the bank acted as intermediary continues to develop favourably, amounting to DKK 8 billion at 30 June 2017, against DKK 7 billion a year earlier. Financial Markets experienced an inflow of new customers, and Leasing also reported strong year-on-year growth of 30%.

Winding-up activities

Winding-up activities are performing according to plan, generating a profit of DKK 8 million, which was an improvement from the break-even result reported

in the same period of last year. The winding-up activities were favourably affected by reversal of impairment writedowns.

Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The Q2 performance was a pre-tax loss of DKK 14 million, against a loss of DKK 13 million in the same period of 2016.

H1 PERFORMANCE

The overall pre-tax profit for H1 2017 was DKK 543 million, up by 12% from the DKK 483 million profit reported in H1 2016. The performance was highly satisfactory.

- Consolidated revenue of DKK 3.9 billion
- Earnings per share of DKK 2.6
- Net asset value per share of DKK 29, corresponding to a price/NAV ratio of 2.03
- Shareholders' equity of DKK 4.7 billion (DKK 5.2 billion at 31 December 2016)
- Average headcount of 1,570 in H1 2017 (H1 2016: 1,540)

CAPITALISATION

The distributable total capital of the group was DKK 5,209 million at 30 June 2017, corresponding to an excess of DKK 601 million relative to the group's capital target. The improvement covers a number of opposite effects.

The excess grew as a result of the Q2 earnings and the fact that the estimated effect of IFRS 9 is now at the level of DKK 100 million, against DKK 175 million at 31 March 2017. As the development of the calculation models for IFRS 9 remains ongoing, the estimate is subject to some degree of uncertainty.

The Danish FSA has published a discussion paper concerning the minimum requirement for own funds and eligible liabilities (MREL add-on) of banks, which represents the Danish implementation of the EU Bank Recovery and Resolution Directive (BRRD). The effect of such MREL add-on has yet to be clarified, but indications from the Danish FSA are for a possible add-on in respect of the requirement for eligible liabilities of 3.6-8.2% of the total risk exposure amount. The add-on could potentially cause the bank's tied-up capital to increase by DKK 250-600 million. In order to address this uncertainty, the group has made a capital reservation of DKK 400 million.

Based on the better-than-expected developments in the bank's winding-up portfolio and the stable, positive trend in impairment writedowns, the group has, more-

over, decided that a capital reservation in respect of the winding-up portfolio of 13% of net lending, equivalent to DKK 282 million at 31 March 2017, is no longer required.

	H1	FY
DKKm	2017	2016
Distributable total capital of the group	5,209	4,584
Consolidated capital target of the group	4,608	4,428
Excess relative to internal capital target	601	156

The group's total capital for solvency coverage purposes was DKK 5,512 million at 30 June 2017, corresponding to an excess of DKK 3,420 million relative to the group's statutory capital requirement.

ALM. BRAND FOR THE CUSTOMER

In connection with the release of the 2016 Annual Report, the group launched its new strategy for the period until 2022 – **Alm. Brand for the Customer**. The overall objective of the strategy is to create a whole new customer experience based on Alm. Brand taking care of the full range of a customer's financial needs as and when required. The group also pledges to continually offer its customers the best solution available within the Alm. Brand Group. In order to achieve this objective, the group has taken a number of strategic initiatives, including efforts to build digital solutions and create unique customer experiences which are easy for the customers to use. Supported by these and other initiatives, the aim is to raise customer satisfaction – measured in terms of NPS – to 60 in the period until 2022. At 31 December 2016, the group's NPS was 42, increasing to 46 in Q2 2017. The group successfully maintained the high score recorded in the first quarter, and the NPS has increased by 28 points since the first recordings were made in 2012.

MAJOR EVENTS

Initiation of share buyback programme

On 24 April 2017, Alm. Brand initiated the share buyback programme announced in connection with the release of the 2016 Annual Report. The programme runs until the end of March 2018 with a total buyback amount of up to DKK 300 million, a small portion of which is to be used for share-based remuneration.

The principal shareholder, Alm. Brand af 1792 fmba, will be participating proportionately in the programme, thereby maintaining its current ownership interest of just under 60 %.

Annual general meeting of Alm. Brand A/S

Alm. Brand A/S held its annual general meeting on 26 April 2017. At the general meeting, the shareholders approved the proposed ordinary dividend of DKK 1.50 per

share and the extraordinary dividend of DKK 3.50 per share.

In addition, the shareholders approved a reduction of the company's share capital by 8,000,000 shares of DKK 10 each by cancellation of treasury shares. After the reduction, the company will have a share capital of DKK 1,655,000,000.

New CFO appointed

Rasmus Werner Nielsen took up the position of new Group CFO on 15 June 2017. As part of the appointment, Mr. Nielsen became a member of the group's senior management.

OUTLOOK

The guidance for FY2017 consolidated pre-tax profit is lifted by DKK 100 million to DKK 700-800 million, comprised of an upgrade in Non-life Insurance of DKK 100 million, an upgrade in Banking of DKK 20 million and an upgrade in Pension of DKK 5 million. The guidance for winding-up activities is maintained at break-even for FY2017.

DKKm	2017
Forecast	700-800
Forward-looking activities	700-800
Non-life	700
Pension	80
Banking	45
Other activities	-60
Winding-up activities	0

Non-life Insurance

The guidance for Non-life Insurance is lifted by DKK 100 million to a profit of about DKK 700 million before tax. The upgrade is made as a result of the sustained low level of expenses for weather-related claims and major claims, run-off gains and the positive investment result.

The guidance for the combined ratio is adjusted to 87-88, while the guidance for the expense ratio is maintained at about 17.

The outlook for full-year growth is lifted to 2-3% from previously 2%.

Pension

The guidance for Pension is lifted by DKK 5 million to a profit of about DKK 80 million before tax. The upgrade is mainly based on the positive risk result in Q2.

Regular premiums are expected to continue to increase at a rate of about 4 % in 2017.

Banking

The guidance for the bank's forward-looking activities is lifted by DKK 20 million to a pre-tax profit of DKK 45 million, while a break-even result is expected on value adjustments and impairment writedowns for the rest of the year.

Lending to private customers is expected to continue to grow at the rate of 6% in 2017.

Other activities

The guidance for the segment Other activities, comprising costs and interest related to the parent company, Alm. Brand A/S, is maintained at a loss of DKK 60 million before tax.

Winding-up activities

The winding-up activities are expected to produce a break-even result before tax.

The guidance for the reduction of the bank's winding-up portfolio excluding losses and writedowns is lifted from about DKK 200 million to DKK 300 million in 2017.

Disclaimer

All forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts. Such forward-looking statements are based on various assumptions and expectations which reflect the company's current views and assumptions, but which are inherently subject to significant risks and uncertainties, including matters beyond the company's control. Actual and future results and developments may differ materially from those contained or assumed in such statements. Matters which may affect the future development and results of the group as well as of the individual business areas include changes in economic conditions in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist events, bad debts, major changes in the claims experience, unexpected outcomes of legal proceedings, etc.

The above-mentioned risk factors are not exhaustive. Investors and others who base their decisions on the information contained in this report should independently consider any uncertainties of significance to their decision.

This interim report has been translated from Danish into English. In the event of any discrepancy between the Danish-language version and the English-language version, the Danish-language version shall prevail.

Non-life Insurance

DKKm	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Gross premiums	1,278	1,247	2,545	2,492	5,028
Claims incurred	-815	-800	-1,621	-1,540	-3,034
Underwriting management expenses	-235	-218	-457	-418	-851
Profit from business ceded	-21	-57	-62	-136	-247
Underwriting profit	207	172	405	398	896
Interest and dividends etc.	47	56	96	114	217
Capital gains/losses	-25	43	-30	80	22
Management expenses relating to investment business	-7	-7	-15	-17	-32
Interest on and value adjustment of technical provisions	7	-43	9	-149	-136
Investment return after return on and value adjustment	22	49	60	28	71
Profit/loss before tax	229	221	465	426	967
Tax	-49	-48	-98	-90	-204
Profit/loss for the period	180	173	367	336	763
Run-off result, claims	47	106	153	169	399
Run-off result, risk margin	9	9	29	28	47
Technical provisions	7,749	7,916	7,749	7,916	7,239
Insurance assets	220	212	220	212	170
Shareholders' equity	2,139	2,160	2,139	2,160	2,587
Total assets	10,665	11,166	10,665	11,166	10,808
Gross claims ratio	63.7	64.2	63.7	61.8	60.4
Net reinsurance ratio	1.7	4.5	2.4	5.5	4.9
Claims trend	65.4	68.7	66.1	67.3	65.3
Gross expense ratio	18.4	17.5	18.0	16.7	16.9
Combined ratio	83.8	86.2	84.1	84.0	82.2
Combined ratio excluding run-off result*)	87.5	94.7	90.1	91.0	90.2
Return on equity before tax p.a. (%)	40.0	31.1	37.5	32.9	38.6
Return on equity after tax p.a. (%)	24.4	24.4	25.9	25.9	30.5

*) The run-off result is stated exclusive of the risk margin share

Key figures and ratios have been prepared on the basis of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

Q2 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 229 million in Q2 2017 (Q2 2016: DKK 221 million profit). The technical result was a profit of DKK 207 million, which was DKK 35 million more than in the same period of last year, while the investment result was a gain of DKK 22 million in Q2 2017, against a gain of DKK 49 million in Q2 2016.

The Q2 combined ratio was 83.8, being favourably affected by an unusually low level of expenses for major claims and weather-related claims as well as by run-off gains. Net of run-off gains on claims provisions, the combined ratio was 87.5 in Q2 2017, against an expected normal level of 91-92.

The Q2 underlying combined ratio was 82.5, which was slightly above the expected target level of about 81-82. Among other things, the slightly higher underlying combined ratio was due to stronger growth in lines for which a higher underlying claims ratio is expected as well as to a higher level of expenses driven by strategic initiatives.

	Q2 2017	Q2 2016	FY 2016
Combined ratio, underlying business	82.5	83.3	80.2
Major claims	3.7	8.5	7.6
Weather-related claims	1.1	2.5	2.2
Reinstatement premiums	0.0	0.1	-0.1
Run-off result, claims	-3.7	-8.5	-7.9
Change in risk margin, run-off result and current year	0.2	0.3	0.2
Combined ratio	83.8	86.2	82.2

Premiums

Gross premiums amounted to DKK 1,279 million in Q2 2017, which was 2.5% more than in Q2 2016, marking a slight improvement relative to expectations. The retention rate remained high both in commercial and private lines, with both segments seeing a continued upward trend.

Claims experience

The claims experience for Q2 2017 was 65.5%, against 68.7% in Q2 2016, which was better than expected. The Q2 2017 performance was supported by fewer expenses

for major claims and weather-related claims as well as by a lower level of run-off gains. The year-on-year improvement should also be seen against the backdrop that the Q2 2016 claims experience was high due to an atypical claims notification experience, which was downgraded to a normal level in Q3 2016. Net of run-off gains, the claims experience was 69.2%, which was 8.3 percentage points lower than in the same period of 2016.

Weather-related claims

Weather-related claims net of reinsurance amounted to DKK 14 million. Compared with the same period of last year, expenses declined by DKK 17 million in spite of the fact that the number of heavy rain and minor cloudburst occurrences was higher in Q2 2017 than in the same period of last year. Weather-related claims affected the combined ratio by 1.1 percentage points in Q2 2017, which was significantly better than the normal level of 3-4%.

Major claims

Major claims net of reinsurance amounted to DKK 47 million, which was DKK 59 million less than in the same period of 2016. Both in terms of number and amount, Q2 expenses were lower than expected. Major claims affected the combined ratio by 3.7 percentage points, which was unusually low compared with the normal level of 7-8%.

Underlying business

The underlying claims ratio fell by 1.7 percentage points relative to Q2 2016. The decline was primarily due to the underlying claims ratio being high in Q2 2016 as a result of an atypical claims notification experience. The claims experience was downgraded to a normal level in Q3 2016. Moreover, lower claims on workers' compensation insurance contributed to improving the underlying business.

Run-off result

The run-off result net of reinsurance was a gain of DKK 56 million (Q2 2016: DKK 115 million) and was mainly driven by gains on liability and comprehensive motor insurance for private cars and on commercial liability insurance. Of the total run-off result, the run-off result for the risk margin produced a gain of DKK 9 million, corresponding to the level reported in Q2 2016. In Q2 2016, the run-off result was mainly driven by the personal insurance lines workers' compensation and accident insurance as well as by building and contents insurances. Compared with the same period of 2016, the second quarter of 2017 saw a significant increase in the number of workers' compensation claims reported and in the provisions for reopened claims cases from previous years. This development, which was due to a clean-

up in Labour Market Insurance (Arbejdsmarkedets Erhvervssikring (AES)), is being monitored closely. The expenses incurred in this connection are mostly offset by a reduction of the model provisions on workers' compensation insurance.

Costs

Total costs amounted to DKK 235 million in Q2 2017, equivalent to an expense ratio of 18.4. Costs were higher than in the same period of 2016, which was primarily due to expenses related to the new strategy as well as to growth. The level reported for the quarter was in line with expectations.

The expense ratio for 2017 as a whole is expected to be about 17.

Net reinsurance ratio

The net reinsurance ratio was 1.7 in Q2 2016, against 4.6 in the same period of 2016. The lower net expense in 2017 was mainly due to the fact that a major fire claim from Q1 2017 was significantly revised to a higher level than previously expected, which resulted in increased reinsurance coverage.

Discounting

From 30 June 2016 to 30 June 2017, the yield curve, which is used for discounting, fell by approximately 0.1 of a percentage point at the short end of the curve, while the 10-year yield declined by about 0.5 of a percentage point. Due to the composition of the expected cash flows, the technical provisions are affected the most by movements in short-term interest rates. Overall, interest rate developments increased the combined ratio by 0.5%.

PRIVATE

The technical result was a profit of DKK 87 million in Q2 2017, against DKK 92 million in Q2 2016.

The combined ratio was 87.0, which was highly satisfactory relative to expectations. Relative to expectations, the result was favourably affected by an unusually low level of weather-related claims and major claims as well as by run-off gains. On the other hand, the result was adversely affected by a general increase in claims frequency, in particular in motor insurance lines.

Premium income was DKK 658 million in Q2 2017, increasing by 1.9% relative to Q2 2016 in line with expectations. The customer retention rate is high, and the upward trend continued in the second quarter, which was positive and a result of the customer loyalty initiatives implemented.

Private

	Q2	Q2	FY
DKKm	2017	2016	2016
Gross premiums	658	646	2,604
Claims incurred	-421	-413	-1,595
Underwriting management expenses	-132	-121	-479
Profit/loss from business ceded	-18	-20	-77
Underwriting profit	87	92	453
Run-off gains/losses	37	43	212
Gross claims ratio	64.0	63.9	61.3
Net reinsurance ratio	3.0	3.1	2.9
Claims trend	67.0	67.0	64.2
Gross expense ratio	20.0	18.7	18.4
Combined ratio	87.0	85.7	82.6

The claims experience excluding run-off gains on claims was 71.8% (Q2 2016: 73.2%).

Weather-related claims totalled DKK 4 million net of reinsurance (Q2 2016: DKK 8 million), affecting the combined ratio by 0.6 of a percentage point, which was an extremely low level. Although several localities in Jutland were hit by heavy rain and cloudbursts in May and June, these weather-related events did not give rise to major claims expenses on the part of Alm. Brand.

Also, the number of major claims reported in the second quarter was lower than both Q2 2016 and expectations. Claims expenses totalled DKK 3 million net of reinsurance, which was DKK 6 million lower than in Q2 2016, and impacted the combined ratio by 0.5 of a percentage point (Q2 2016: 1.5 percentage points).

Overall, weather-related claims and major claims affected the combined ratio by 1.1 percentage points in Q2 2017, against 2.8 percentage points in Q2 2016. Weather-related claims and major claims combined were significantly lower than expected in the private customer segment.

The underlying claims ratio was unchanged from Q2 2016, but slightly higher than in Q1 2017. The sale of new comprehensive motor insurance covers resulted in slightly higher-than-expected motor claims in Q2 as well, but this trend was partly offset by a lower level of motor liability claims.

Expenses for travel insurance have been increasing in recent years. A change is seen to have occurred in the travel activities of Danish travellers, and an increase in the number of terrorist attacks abroad has driven up costs incurred in connection with repatriation, crisis counselling, etc. Accordingly, the claims frequency and the level of damages paid have increased. Alm. Brand is monitoring these developments closely and assessing profitability on an ongoing basis.

The expense ratio increased by 1.3 percentage points to 20.0 in Q2 2017 in line with expectations.

The run-off result net of reinsurance was a gain of DKK 37 million (Q2 2016: DKK 43 million). The run-off result was mainly attributable to gains on personal insurance lines and risk margin run-off, which contributed a gain of DKK 5 million on a par with Q2 2016.

COMMERCIAL

The technical result was a profit of DKK 120 million in Q2 2017, against a profit of DKK 80 million in Q2 2016.

The combined ratio was 80.5, which was highly satisfactory compared with expectations. The performance was supported by very few weather-related claims and a lower level of major claims. The performance was also favourably affected by run-off gains, but not to the same extent as in Q2 2016.

Premium income grew by DKK 19 million to DKK 620 million, equivalent to an increase of 3.2%, which was slightly more than expected. The commercial market remains extremely competitive, but Alm. Brand nevertheless sold more insurances than anticipated in the second quarter. This applies in particular to the motor insurance product. The customer retention rate remains high, continuing to show a slight upward trend.

Commercial

	Q2	Q2	FY
DKKm	2017	2016	2016
Gross premiums	620	601	2,424
Claims incurred	-394	-387	-1,439
Underwriting management expenses	-103	-97	-372
Profit/loss from business ceded	-3	-37	-170
Underwriting profit	120	80	443
Run-off gains/losses	19	72	234
Gross claims ratio	63.5	64.4	59.4
Net reinsurance ratio	0.4	6.2	6.9
Claims trend	63.9	70.6	66.3
Gross expense ratio	16.6	16.1	15.4
Combined ratio	80.5	86.7	81.7

The claims experience excluding run-off gains on claims was 66.4% (Q2 2016: 82.1%).

Weather-related claims totalled DKK 10 million net of reinsurance (Q2 2016: DKK 23 million), which affected the combined ratio by 1.6 percentage points, against 3.8 percentage points in Q2 2016. Weather-related claims expenses were significantly below the expected level in the second quarter.

Major claims totalled DKK 44 million net of reinsurance (Q2 2016: DKK 97 million) and impacted the combined

ratio by 7.2 percentage points, against 16.1 percentage points in 2016. Major claims were below the expected level both in terms of number and damages paid. Although the gross estimate for a single major claim from the first quarter of 2017 was significantly revised in the second quarter, this revision did not affect the performance net of reinsurance.

Overall, weather-related claims and major claims affected the combined ratio by 8.8 percentage points in Q2 2017, against 19.9 percentage points in Q2 2016. Compared with the expected full-year level, weather-related claims and major claims were lower in the second quarter.

The underlying claims ratio fell by 4.1 percentage points relative to the year-earlier period. The decline was mainly due to slightly fewer workers' compensation claims and a high underlying claims ratio in Q2 2016 as a result of an atypical claims notification experience. The claims experience was downgraded to a normal level in Q3 2016.

The profitability of some parts of the commercial market building portfolio remains unsatisfactory. This applies particularly to the residential property market, which is fiercely competitive. Alm. Brand has taken initiatives to improve the profitability of both new business written and the existing portfolio.

The net reinsurance ratio was 0.4 in Q2 2017, against 6.1 in Q2 2016. The lower net expense in the second quarter was driven mainly by reinsurance received in respect of a major fire claim from the first quarter of 2017, which turned out to be more expensive than initially anticipated, resulting in increased reinsurance coverage.

The expense ratio was 16.6 in Q2 2017, or 0.5 of a percentage point higher than in Q2 2016, which was in line with expectations.

The run-off result net of reinsurance was a gain of DKK 19 million (Q2 2016: DKK 72 million). The run-off result was mainly attributable to gains on commercial liability insurance and risk margin run-off, which contributed a gain of just over DKK 4 million, against just under DKK 5 million in Q2 2016.

INVESTMENT RESULT

The investment result was a gain of DKK 22 million in Q2 2017, against a gain of 49 million in Q2 2016, when in particular short-term mortgage bonds produced a significantly better return than expected. While lower than last year, the Q2 2017 investment result was satisfactory.

The investment assets are distributed on Danish and international bonds, mortgage deeds and equities and a small portfolio of properties. The overall goal is to achieve a satisfactory combination of return and low market risk. The financial risk is adjusted using derivative financial instruments.

In Q2 2017, the investment return was driven in particular by hedging of provisions as a result of the weighting of mortgage bonds and corporate bonds. In addition, a slight narrowing of the yield spread between mortgage bonds and swap rates in the period also had a positive effect on the bond portfolio.

The mortgage deed portfolio also performed ahead of expectations, as the number of prepayments was below the expected level in the second quarter of the year. This offsets the lower return reported in the first quarter, bringing the total portfolio return in the first six months of the year in line with expectations. The equity portfolio produced a positive return in line with expectations.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve plus a volatility adjustment (the "VA premium"). The VA premium declined by 0.21 of a percentage point year on year.

	Q2 2017		Q2 2016	
	Return	Pct.	Return	Pct.
Investment return				
DKKm				
Bonds etc.	8	0.1	82	1.0
Mortgage deeds etc.	9	0.7	15	1.0
Equities	4	2.2	2	0.7
Property	0	1.5	0	1.7
Total return on investments	21	0.2	99	1.0
Administrative expenses	-7		-7	
Discounting of technical provisions	14		-31	
Interest on technical provision	-6		-12	
Investment return after interest on provisions	22		49	

H1 PERFORMANCE

The group's non-life insurance activities generated a pre-tax profit of DKK 465 million in H1 2017, as compared with a DKK 426 million profit in H1 2016.

The technical result was a profit of DKK 404 million (H1 2016: DKK 398 million), equivalent to a combined ratio of 84.1 (H1 2016: 84.0). The result was lifted by an unusually low level of expenses for weather-related claims, but was impacted by costs for strategic initiatives and a higher level of expenses for small claims relative to H1 2016.

Premium income amounted to DKK 2,545 million in H1, against DKK 2,492 million in the year-earlier period. This marked a year-on-year increase of 2.2%, which was more than expected.

Weather-related claims were DKK 22 million net of re-insurance, against DKK 40 million in H1 2016. The mild winter and fewer windstorms and cloudbursts than anticipated had a positive effect on the first-half performance. Overall, the number of weather-related claims was much lower than expected in the first half of the year. Weather-related claims affected the combined ratio by 0.9 of a percentage point (H1 2016: 1.6 percentage points).

Major claims totalled DKK 158 million in H1 2017, against DKK 193 million in H1 2016. In H1 2017, the number of major claims was lower than expected. However, the commercial segment was hit by a substantial major claim. Overall, major claims expenses affected the combined ratio by 6.2 percentage points (H1 2016: 7.7 percentage points), which was slightly better than the expected range of 7-8 percentage points.

The combined ratio of the underlying business was 82.7 in H1 2017, against 81.4 in H1 2016, among other things,

due to the fact that the number of covers sold on the new motor insurance product was higher than expected, and the extra covers on comprehensive motor insurance in particular led to a higher number of claims and, as a result, higher claims expenses. However, taking into account the portfolio changes, developments in the underlying claims ratio for motor insurance were in line with expectations. Moreover, the first half of 2017 was affected by a decline in the short-term discount rate, which caused the combined ratio to increase by 0.6%, as well as by a higher level of costs as a result of strategic initiatives.

	H1 2017	H1 2016	FY 2016
Combined ratio, underlying business	82.7	81.4	80.2
Major claims	6.2	7.7	7.6
Weather-related claims	0.9	1.6	2.2
Reinstatement premiums	0.0	-0.1	-0.1
Run-off result, claims	-6.0	-6.8	-7.9
Change in risk margin, run-off result and current year	0.3	0.2	0.2
Combined ratio	84.1	84.0	82.2

Run-off gains totalled DKK 182 million (H1 2016: DKK 197 million). The gains were seen primarily in personal insurance lines and on building and motor insurance.

The expense ratio was 18.0 in H1 2017, against 16.8 in H1 2016, but was in line with expectations in light of the investments made in the new strategy.

The investment result after interest on technical provisions was a gain of DKK 60 million in H1 2017, against a gain of DKK 28 million in H1 2016.

CAPITALISATION

The capital requirement of Alm. Brand Forsikring A/S was DKK 1,044 million at 30 June 2017, against DKK 1,080 million at 31 March 2017.

The total capital was DKK 3,346 million, which means that the company had an excess cover of DKK 2,302 million relative to the capital requirement.

At 30 June 2017, shareholders' equity allocated to Non-life Insurance was DKK 2.1 billion.

MAJOR EVENTS

New house insurance product

In March, Alm. Brand launched a new house insurance product allowing customers to tailor their insurance by selecting the specific covers they need to meet their individual requirements. Alm. Brand is informing its customers about the new house insurance product on a continuing basis, offering them the opportunity to convert their policies to new terms as was done in connection with the launch of the new motor insurance product.

Cyber insurance

At the beginning of May 2017, Alm. Brand launched a completely new cyber insurance product offering the broadest scope of cover available in the market. The product was developed in collaboration with specialists in the international reinsurance market. The new product, targeting small and medium-sized businesses, was well received by customers, and the sales and advisory service processes for the product have been adapted specifically to this customer segment. Among other things, the security requirements are tailored to customers that rely on standard processes for IT security and do not have a large internal IT organisation.

New drone insurance

At the end of June 2017, Alm. Brand launched a completely new drone insurance product. The product has been developed to cater to new markets emerging as a result of modern technology, and it has become particularly topical following legislative amendments which impose stricter requirements on the certification of drone pilots and registration and insurance of drones. The insurance covers liability and comprehensive insurance claims in connection with drone crashes. Alm. Brand is experiencing increasing demand for this product, mainly from agricultural customers and different types of consultancy businesses. Today, the market comprises approximately 10,000 drones, but it is expected to grow to about 40,000 over the next five years.

Acquisition of portfolio from Trafik G/S

In early April 2017, Alm. Brand entered into an agreement with the board of the Danish insurance company Trafik G/S regarding the acquisition of the company's activities. The acquisition was approved by the shareholders of Trafik G/S on 26 April 2017 and by the Danish FSA on 14 August 2017. The agreement essentially comprises the forward-looking activities and all technical liabilities and employees of Trafik G/S. The portfolio represents total annual gross premiums of DKK 40 million in 2017 and comprises approximately 1,500 insurance customers and close to 3,000 vehicles. Alm. Brand is looking forward to welcoming both customers and employees to Alm. Brand in September.

Pension

DKKm	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Premiums	315	313	713	651	1,281
Investment return after allocation of interest	286	204	449	449	697
Claims incurred	-255	-217	-533	-506	-970
Total underwriting management expenses	-25	-24	-51	-46	-101
Profit/loss from business ceded	1	0	0	-1	-4
Change in life insurance provisions	-296	-455	-515	-658	-799
Change in profit margin	-1	203	-6	161	-27
Government Tax on unallocated funds	0	0	0	0	0
Underwriting profit/loss	25	24	57	50	77
Return on investments allocated to equity	-1	2	1	5	7
Profit/loss before tax	24	26	58	55	84
Tax	-5	-7	-13	-14	-10
Profit/loss after tax	19	19	45	41	74
Return requirement for shareholders' equity					
Return on investments allocated to equity	-1	2	1	5	7
Result of portfolios without bonus entitlement	1	1	13	1	1
Group life	2	3	4	4	8
Interest result	6	5	12	10	21
Expense result	-4	-1	-9	-2	-16
Risk result	20	16	37	37	63
Transferred to/from the shadow account	0	0	0	0	0
Profit/loss before tax	24	26	58	55	84
Total technical provisions	13,385	12,535	13,385	12,535	12,853
Shareholders' equity	769	816	769	816	848
Total assets	14,325	14,356	14,325	14,356	14,394
Return on equity before tax p.a. (%)	12.2	12.5	14.1	13.2	10.1
Return on equity after tax p.a. (%)	9.5	9.1	11.0	9.9	8.9
Bonus rate (%)	24.3	18.4	24.3	18.4	20.1

Key figures and ratios have been prepared on the basis of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

Investment return on policyholders funds in Pension H1 2017

	Return ratio in % (YTD)
Interest-bearing assets	-0.5
Shares	8.9
Property	18.9
Total	4.1

Q2 PERFORMANCE

Pension posted a pre-tax profit of DKK 24 million in Q2 2017 (Q2 2016: DKK 26 million). The performance was highly satisfactory and better than expected.

The profit was composed as follows:

- Expense and risk result of DKK 16 million
- Interest rate result of DKK 6 million
- Profit of DKK 2 million from the group life in insurance business
- Profit of DKK 1 million from life annuities without bonus entitlement
- Negative return on investment allocated to equity of DKK 1 million

The bonus rate was 24.3% at 30 June 2017, marking a year-to-date improvement of 4.2 percentage points. The increase was mainly driven by the sale of the property at City Hall Square in Copenhagen, which produced a gain of just over DKK 200 million. The bonus rate was highly satisfactory, ensuring that Alm. Brand Pension can continue to offer high and competitive rates on policyholders' savings.

Pension contributions

Payments into guaranteed schemes

In Q2 2017, premiums totalled DKK 315 million (Q2 2016: DKK 313 million), up 0.6% year on year.

This figure covers a slight decline in regular premiums of 0.8% and an increase in single payments of 2.1%.

The decline in regular payments was due exclusively to a decline in premiums from the group life business as a result of the quota developments in Forenede Gruppeliv. Without this decline, growth would have been at a satisfactory 4.5%.

Payments into market schemes

In addition to payments into guaranteed schemes in Alm. Brand Pension, customers have the option of paying into market-based investment schemes with the bank.

Payments into these schemes amounted to DKK 114 million in Q2 2017, against DKK 108 million in the same period of last year, which marked a satisfactory increase of 5.2%.

Total pension contributions

Total payments into pension schemes, including investment schemes with the bank, amounted to DKK 429 million in Q2 2017, which was an increase of 1.8% relative to Q2 2016.

Benefits paid

The total amount of benefits paid in Q2 2016 was DKK 255 million, against DKK 217 million in Q2 2016. The increase was due to a higher level of policy surrenders and transfers to other companies, which, however, were at a very low level in Q2 2016.

Risk result

Net of reinsurance, the risk result, which expresses the difference between risk premiums and actual claims expenses, was an income of DKK 20 million in Q2 2017, marking a DKK 4 million increase on Q2 2016.

The result was highly satisfactory and among the best in the industry.

Costs

Acquisition and administrative expenses totalled DKK 25 million in Q2 2017, against DKK 24 million in Q2 2016. The level of costs was in line with expectations considering the investments made in the new strategy.

Expense result

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was negative at DKK 4 million in Q2 2017. The expense result should be seen in light of the fact that Alm. Brand Pension's average rate products are among the cheapest on the market.

Investment return on policyholders' funds

The return on investment assets belonging to policyholders was DKK 320 million in Q2 2017, corresponding to a return of 2.5% (10.4% p.a.). Total investment assets, which amounted to DKK 13.5 billion at 30 June 2017, are placed in bonds, equities and property. The Q2 return was lifted by the sale of the property at City Hall Square in Copenhagen. In addition, the equity portfolio generated a strong return.

The return on policyholders' investment assets was generally very satisfactory, supported by a fair-sized additional return on asset management activities.

	Share	Return Q2	Return p.a.
Bonds	69%	-0.1%	-0.2%
Equities	17%	2.6%	10.8%
Properties	14%	16.6%	84.6%
Total	100%	2.5%	10.4%

Life insurance provisions

Total life insurance provisions increased by DKK 296 million to an aggregate of DKK 13.0 billion in Q2 2017. The increase was due to the fair-sized investment return as well as to a fair net inflow of pension funds during the period.

Profit margin

The profit margin increased by DKK 1 million to DKK 370 million in Q2 2017, driven by the company's growth.

The company is still in discussions with the Danish FSA about the accounting concept "profit margin" and the assumptions for calculation thereof. In the second quarter, the company was confirmed in its belief that the final outcome of the discussions will not change the company's strong capitalisation.

Bonus rate

The total bonus rate was 24.3% at 30 June 2017, marking a year-to-date improvement of 4.2 percentage points. This is particularly satisfactory, considering that, for the sixth year running, the company is offering its customers the industry's highest rate on policyholders' savings, which in 2017 is 4% for new policyholders.

New policyholders are placed in interest rate group 0, which had a bonus rate of 27.8% at 30 June 2017.

In interest rate groups 2 and 3, which comprise customers with a high guarantee rate, the bonus rate was just under 15% in Q2 2017, which was highly satisfactory. These groups continue to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments with a view to striking a healthy

balance between the groups' investments and liabilities.

The table below shows the current rates on policyholders' savings, bonus rates, returns and breakdown of pol-

icyholders' investment assets on the four interest rate groups into which the portfolio of policies with bonus entitlement is divided.

	U74*	Interest rate group				Total
		0	1	2	3	
Technical rate of interest (% p.a.)		0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Rate on policyholders' savings (% p.a.)		4.00	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	8.0	1.3	1.3	2.8	13.5
Bonus rate (%)		27.8	25.8	15.3	14.6	24.3
Return (% YTD converted to p.a.)		8.4	4.7	4.7	2.3	6.1
Bonds	100%	62%	63%	76%	83%	68%
Equities	0%	22%	21%	8%	3%	17%
Properties	0%	16%	15%	13%	10%	14%
Interest rate derivatives	0%	0%	1%	3%	4%	1%

*Portfolios without bonus entitlement

H1 PERFORMANCE

The group's life insurance activities generated a pre-tax profit of DKK 58 million in H1 2017, as compared with a DKK 55 million profit in the same period of 2016.

Total pension contributions increased by 8% to DKK 896 million from H1 2016 to H1 2017. On guaranteed schemes, regular payments increased by 2.6%, while single payments grew by 17.2%. In addition, payments into market rate schemes with the bank increased by 3.6%.

CAPITALISATION

The total capital of Alm. Brand Liv og Pension A/S amounted to DKK 1,191 million at 31 March 2017, of which DKK 71 million was tier 2 capital.

The company's capital requirement amounted to DKK 142 million. Accordingly, the company had excess liquidity of DKK 1,049 million, corresponding to a sol-

veny coverage ratio of 836 %. The company's capital requirement is very low as a result of the large bonus potentials at 30 June 2017.

Equity allocated to Pension was DKK 768 million at 30 June 2017.

MAJOR EVENTS

Sale of property

In Q2 2017, Alm. Brand Ejendomsinvest A/S, a subsidiary of Alm. Brand Liv og Pension, concluded an agreement to sell the company's property at City Hall Square in Copenhagen. The sale was completed on 7 July 2017, and the property was revalued at the selling price in the H1 financial statements. Alm. Brand is extremely pleased with the price obtained, which secured the pension company's customers a gain of some DKK 200 million and was the main driver of the bonus rate growth and the fair-sized investment return recorded in the second quarter.

Banking

DKKm	GROUP				
	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
FORWARD-LOOKING ACTIVITIES:					
Net interest and fee income, Private	53	50	106	107	208
Trading income (excl. value adjustments)	33	37	64	73	144
Other income	68	53	131	104	218
Total income	154	140	301	284	570
Expenses	-101	-91	-202	-179	-367
Amortisation	-49	-36	-94	-71	-153
Core earnings	4	13	5	34	50
Value adjustments	11	-1	27	-15	6
Profit/loss from investments	0	0	0	0	0
Profit/loss before impairment writedowns	15	12	32	19	56
Writedowns	9	3	10	4	6
Profit/loss before tax, forward-looking activities	24	15	42	23	62
WINDING-UP ACTIVITIES:					
Profit/loss before impairment writedowns	2	13	4	18	38
Writedowns	6	-13	2	-12	-56
Profit/loss before tax, winding-up activities	8	0	6	6	-18
Total profit/loss before tax and minority interests	32	15	48	29	44
Tax	-6	-4	-10	-7	-8
Consolidated profit/loss after tax	26	11	38	22	36
Loans and advances, forward-looking activities	3,028	2,859	3,028	2,859	2,835
Loans and advances, winding-up activities	731	1,143	731	1,143	942
Deposits	7,214	7,585	7,214	7,585	7,189
Shareholders' equity	1,559	1,517	1,559	1,517	1,521
Balance	9,311	10,099	9,311	10,099	9,699
Interest margin (%)	2.3	2.6	2.4	2.5	2.5
Income/cost ratio	1.22	1.10	1.16	1.10	1.07
Impairment ratio	-0.3	0.0	-0.4	-0.1	0.4
Solvency ratio (%)	21.5	18.7	21.5	18.7	18.1
Return on equity	8.1	4.0	6.2	3.8	2.9
Return on equity after tax (%)	6.6	2.9	4.9	2.9	2.4

Q2 PERFORMANCE

The bank posted a pre-tax profit of DKK 32 million in Q2 2017, against a profit of DKK 15 million in Q2 2016. The bank's overall performance was better than expected, and the bank is reporting satisfactory developments.

The profit was composed of a profit of DKK 24 million on forward-looking activities and a profit of DKK 8 million on winding-up activities.

The bank's total impairment writedowns amounted to reversals of DKK 15 million in Q2 2017, distributed on DKK 9 million related to the forward-looking activities and DKK 6 million related to the winding-up activities.

The interest margin for the bank was 2.3% in Q2 2017, against 2.6% in Q2 2016, being impacted by increased competition and lower interest on the bank's bond portfolios.

FORWARD-LOOKING ACTIVITIES

The forward-looking activities generated a pre-tax profit of DKK 24 million in Q2 2017 (Q2 2016: DKK 15 million profit). The performance was better than expected.

Investments in the new strategy affected the Q2 costs, as a result of which core earnings were DKK 9 million lower than in Q2 2016.

The bank's forward-looking activities generally experienced an increase in the level of activity. Over the past 12 months, the number of Pluskunder has increased by 9%, and lending to the bank's private customers has grown by 5%. The market remains highly competitive, especially for new lending to private customers.

The portfolio of Totalkredit loans for which the bank acted as intermediary continues to develop favourably, amounting to DKK 8 billion at 30 June 2017, against

DKK 7 billion a year earlier. In addition, Financial Markets experienced an inflow of new customers, and Leasing recorded growth of 30% in the quarter.

Income

The bank's income from forward-looking activities amounted to DKK 154 million in Q2 2017, against DKK 140 million in Q2 2016.

The increase was driven by the bank's leasing portfolio, higher trading income in Financial Markets and earnings from Totalkredit. The bank's excess liquidity placed in bonds generated less interest income.

Costs

Costs were in line with expectations and amounted to DKK 101 million in Q2 2017, which was DKK 10 million more than in Q2 2016 but on a par with Q1 2017. The increase was due to investments in the new strategy.

Value adjustments

Value adjustments produced a capital gain of DKK 11 million in Q2 2017, against a loss of DKK 1 million in Q2 2016.

Interest-related value adjustments and related hedging transactions produced a gain of DKK 4 million in Q2 2017, against a loss of DKK 3 million in Q2 2016. The bank's bond portfolio produced a return of 1.8% p.a. in Q2 2017, compared with a return of 1.2% p.a. in Q2 2016. The bond return was highly satisfactory relative to the benchmark and in light of a money market which remained impacted by negative interest rates.

Impairment writedowns

Impairment writedowns on the bank's forward-looking activities amounted to a reversal of DKK 9 million in Q2 2017, against a reversal of DKK 3 million in Q2 2016. The impairment writedowns were favourably affected by income from debt previously written down.

Business activities

Private

In the second quarter, the bank experienced an inflow of new customers and an increase in the number of Pluskunder, continuing the positive trend from the first quarter of the year. Lending to private customers amounted to DKK 2.8 billion in Q2 2017, marking a year-on-year increase of DKK 141 million (net). Customers continue to reduce their loans significantly. Accordingly, the net increase reflects a major gross inflow of new loans. The bank is experiencing mounting pressure on net interest and fee income due to increased competition for new loans.

The profit before tax was DKK 1 million in Q2 2017, up DKK 2 million on Q2 2016.

Private

DKKm	Q2 2017	Q2 2016
Income	53	50
Expenses	-61	-54
Profit/loss before impairment writedowns	-8	-4
Impairment writedowns	9	3
Profit/loss before tax	1	-1

The year-on-year increase in income was driven primarily by higher fee income from Totalkredit, which continued the positive trends from the first quarter. In Q2 2017, the portfolio of Totalkredit loans grew by just over DKK 0.3 billion, or 3.6%, to DKK 8 billion in Q2 2017. Overall, the portfolio increased by DKK 1 billion year on year.

The higher level of costs compared with Q2 2016 was mainly attributable to investments in the new strategy.

Impairment writedowns were favourably affected by reversed provisions relating to debt previously written down and amounted to an income of DKK 9 million in Q2 2017, which was better than expected.

Financial Markets

The Financial Markets division generated pre-tax profit of DKK 16 million in Q2 2017, against DKK 15 million in Q2 2016, which was in line with expectations.

Financial markets

DKKm	Q2 2017	Q2 2016
Income	37	35
Expenses	-25	-23
Core earnings	12	12
Value adjustments	4	3
Profit/loss before impairment writedowns	16	15
Impairment writedowns	0	0
Profit/loss before tax	16	15

In the second quarter of 2017, Financial Markets experienced an increase in the number of customers and in assets under management.

Alm. Brand Bank's new investment product, IndexPlus, where the bank composes an investment portfolio of index funds (ETFs) based on the investor's investment profile, continues to attract a strong inflow of funds. The product was well received when it was launched on autumn 2016, and this trend has continued. Accordingly, sales of this product have outperformed expectations.

Leasing

The Leasing division generated a pre-tax profit of DKK 7 million in Q2 2017. This DKK 1 million increase compared with Q2 2016 was driven by growth in the leasing

portfolio. The leasing market is generally experiencing growth, but it is also a market characterised by strong competition and price pressure.

The leasing portfolio amounted to DKK 962 million at 30 June 2017, which was DKK 225 million, or 30%, higher than at the year-earlier date. The highest growth rates are seen in private leases, which grew by just over 50% year on year. At 30 June 2017, Leasing had just over 8,300 cars in its total portfolio.

Leasing

DKKm	Q2 2017	Q2 2016
Income	68	52
Expenses	-12	-10
Depreciation and amortisation	-49	-36
Profit/loss before tax	7	6

In spite of the highly competitive market, Leasing was able to maintain the high rate of growth, and Alm. Brand remains the third-largest provider of private leases in Denmark.

Other activities

Other activities, consisting primarily of Treasury, reported a break-even result before tax in Q2 2017, against a loss of DKK 5 million in Q2 2016.

Other activities

DKKm	Q2 2017	Q2 2016
Income	-4	3
Expenses	-3	-4
Core earnings	-7	-1
Value adjustments	7	-4
Profit/loss before tax	0	-5

The Q2 performance was lifted by a higher return on the bank's own portfolio, which, compared with Q2 2016, contributed a total amount of DKK 5 million. The return contributed positive value adjustments on the basis of a slight narrowing of the yield spread, whereas lower coupon rates caused a small reduction of the income.

WINDING-UP ACTIVITIES

The bank's winding-up activities are composed of agricultural, commercial property and mortgage deed exposures.

The winding-up activities produced a profit of DKK 8 million in Q2 2017, compared with a break-even result in Q2 2016. Impairment writedowns amounted to a reversal of DKK 6 million in Q2 2017, compared with impairment writedowns of DKK 13 million in Q2 2016.

The profit before impairment writedowns was DKK 2 million in Q2 2017, down DKK 11 million year on year.

The lower profit was due to a reduction in the lending portfolio in Q2 2017 as well as positive value adjustments on equities taken over in Q2 2016.

The total credit exposure in the winding-up portfolio was reduced by DKK 213 million to DKK 1,953 million in Q2 2017. Adjusted for losses and writedowns, the bank's loans and advances were reduced by DKK 231 million, which was more than expected.

The bank's winding-up activities were favourably affected by better settlement prices for agricultural products and interest received on mortgage deeds which had previously been considered lost.

Agriculture

The agricultural portfolio amounted to DKK 186 million at 30 June 2017. Adjusted for impairment writedowns, the portfolio was reduced by DKK 14 million in Q2 2017.

Impairment writedowns amounted to a reversal of DKK 1 million in Q2 2017, which was in line with expectations. The level reflects the favourable conditions for agriculture with higher settlement prices, in particular for piglet producers.

Commercial properties

The portfolio consists mainly of lending to fund investment properties, lending to businesses and property development projects.

Impairment writedowns of DKK 9 million were reversed in Q2 2017. The reversal was primarily related to one large exposure.

The total portfolio amounted to DKK 378 million at 30 June 2017. Adjusted for impairment writedowns, the portfolio was reduced by DKK 153 million in Q2 2017.

Mortgage deeds

The segment comprises the bank's own portfolio of private and commercial mortgage deeds and a mortgage deed exposure through an option agreement with Alm. Brand Forsikring. The own portfolio consists primarily of mortgage deeds in arrears.

The own portfolio amounted to DKK 167 million and was reduced in Q2 2017 by DKK 14 million adjusted for losses and writedowns. Impairment writedowns of DKK 2 million were reversed in Q2 2017, against a reversal of DKK 3 million in Q1 2017.

The credit exposure through the option agreement on mortgage deeds amounted to DKK 1,222 million at 30 June 2017. Credit-related capital losses on the option agreement amounted to DKK 6 million in Q2 2017, which was in line with expectations.

DKKm	Credit exposure after writedowns			Losses and writedowns				Impair- ment in % ^{a)}
	FY 2016	30 June 2017	Share of portfolio in %	FY 2016	Q1 2017	Q2 2017	H1 2017	
Agriculture	204	186	25	45	0	-1	-1	-1
Commercial properties	544	378	52	-15	-5	-9	-14	-3
Mortgage deeds	194	167	23	-18	-3	-2	-5	-3
Total loans and advances	942	731	100	12	-8	-12	-20	-2
Mortgage deed option agreement ^{b)}	1,329	1,222		44	12	6	18	1
Winding-up activities	2,271	1,953		56	4	-6	-2	0

a) Losses and write-downs as a percentage of the average portfolio in H1 2017. The percentage is not comparable with the impairment ratio in the overview of financial ratios

b) Impairment writedowns include credit-related value adjustments of mortgage deeds

H1 PERFORMANCE

The bank posted a pre-tax profit of DKK 48 million in H1 2017, against a profit of DKK 29 million in H1 2016.

The profit was composed of a profit of DKK 42 million on forward-looking activities and a profit of DKK 6 million on winding-up activities. Compared with the same period of last year, the profit from forward-looking activities increased by DKK 19 million, whereas the profit from winding-up activities was unchanged.

The bank's total impairment writedowns amounted to a reversal of DKK 12 million, against impairment writedowns of DKK 8 million in the same period of last year. Of the DKK 12 million reversal, DKK 10 million was related to forward-looking activities and DKK 2 million to winding-up activities.

The interest margin for the bank was 2.4% in H1 2017, compared with 2.5% in H1 2016.

Core earnings for the forward-looking activities amounted to a profit of DKK 5 million in H1 2017, against DKK 34 million in H1 2016. This was partly due to the fact that some of the trading income was realised as capital gains and therefore not included in core earnings. In addition, the period was impacted by higher costs, mainly as a result of investments in the new strategy as well as expenses related to IT and the bank's data centre.

Value adjustments on the forward-looking activities amounted to a gain of DKK 27 million in H1 2017, against a loss of DKK 15 million in the year-earlier period. The DKK 42 million improvement was primarily attributable to interest-related value adjustments, which were DKK 35 million higher than in H1 2016, mainly driven by the bank's own portfolio of bonds.

In H1 2017, costs related to the forward-looking activities amounted to DKK 202 million, against DKK 179 million in H1 2016.

BALANCE SHEET

Loans and advances

The bank's loans and advances totalled DKK 3.8 billion at 30 June 2017, which was unchanged from 31 December 2016.

Excluding intra-group lending, loans and advances in Q2 2017 increased by DKK 14 million for the forward-looking activities, while loans and advances in the winding-up portfolio declined by DKK 169 million.

Deposits

The bank had deposits of DKK 7.2 billion at 30 June 2017, which was unchanged from 31 December 2016.

At 30 June 2017, floating-rate deposits represented 91% of total deposits, against 90% at 31 December 2016.

Liquidity

At 30 June 2017, the bank had cash funds of DKK 3.7 billion and excess liquidity of DKK 2.7 billion, equivalent to an excess of 268% relative to the statutory requirement. The excess cover increased by DKK 0.2 billion in Q2 2017.

At 30 June 2017, Alm. Brand Bank had a liquidity coverage ratio (LCR) of 466%.

Capitalisation

The bank's shareholders' equity amounted to DKK 1.6 billion at 30 June 2017, and the total capital ratio for the parent company was 22.8%.

Capitalisation

DKKbn	Parent company	Group
Total capital	1.6	1.6
Risk exposure amount	7.0	7.4
Total capital ratio	22.8	21.5
Tier 1 capital ratio	20.3	19.2
Individual solvency need	12.1	12.3
Excess cover	10.7	9.2

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 2,291 million at 30 June 2017, against DKK 2,535 million at 31 December 2016. The capital reservation equalled 34% of the credit exposure, which was on a level with 31 December 2016.

The capital reservation for the forward-looking portfolio represented 21% of gross loans and advances, and the

capital reservation for the winding-up portfolio represented 48% of the credit exposure.

At 30 June 2017, accumulated writedowns amounted to DKK 1,661 million, against DKK 1,859 million at 31 December 2016. Accumulated impairment writedowns broke down as follows at 30 June 2017: DKK 298 million on the forward-looking portfolio and DKK 1,363 million on the winding-up portfolio, DKK 548 million of which was attributable to mortgage deeds.

Capital reservation for credit risk

DKKm	30.06.2017				31.12.2016			
	Total assets	Credit exposure ^{a)}	Acc. impairment writedowns ^{b)}	Required capital	Total reservation	Reservation/credit exposure	Total reservation	Reservation/credit exposure
Forward-looking portfolio	2,865	3,163	298	373	671	21%	660	21%
Winding-up portfolio	731	3,316	1,363	243	1,606	48%	1,861	49%
Total - excl. reverse transactions	3,596	6,479	1,661	616	2,277	35%	2,521	36%
Reverse transactions including intercompany transactions	163	163	0	14	14	9%	14	26%
Total group	3,759	6,642	1,661	630	2,291	34%	2,535	36%

a) Gross lending, residual debt on mortgage deeds and credit exposure through the option agreement with Alm. Brand Forsikring.

b) Including value adjustments of mortgage deeds.

SUPERVISORY DIAMOND

At 30 June 2017, the bank was in compliance with all five threshold values of the Danish FSA's supervisory diamond as shown in the figure below:



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

MAJOR EVENTS**Changes in current account limits**

The current account limit with Danmarks Nationalbank was lowered by DKK 25 million at 30 May 2017 to total DKK 150 million for Alm. Brand Bank.

Implementation of IFRS 9

Effective from 1 January 2018, the current provisions on impairment will be replaced by IFRS 9. The implementation of IFRS 9 is not expected to have any significant impact on the bank's results, but the effect on shareholders' equity on the date of transition at 1 January 2018 is expected to be a reduction of approximately DKK 100 million. As the development of the calculation models remains ongoing, the estimate is subject to some degree of uncertainty. The European Commission is working on a transition scheme to ensure that any adverse effect of the new IFRS 9 impairment provisions will not have full effect on total capital until after five years.

New commercial customer division

As part of its new strategy to provide full-range financial advisory services, the group has resolved to set up a commercial customer division for small and medium-sized businesses. The division will be focused on serving businesses with simple financial needs.

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the six months ended 30 June 2017.

The consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The interim report of the parent company has been prepared in accordance with the Danish Financial Business Act. In addition, the interim report has been prepared in accordance with additional Danish disclosure requirements for listed financial enterprises.

MANAGEMENT BOARD

Copenhagen, 24 August 2017

Søren Boe Mortensen

Chief Executive Officer

BOARD OF DIRECTORS

Copenhagen, 24 August 2017

Jørgen H. Mikkelsen

Chairman

Jan Skytte Pedersen

Deputy Chairman

Ebbe Castella

Henrik Christensen

Anette Eberhard

Per V. H. Frandsen

Karen Sofie Hansen-Hoeck

Boris N. Kjeldsen

Lars Christiansen

Brian Egested

Helle L. Frederiksen

Susanne Larsen

The management's review has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the interim report gives a true and fair view of the group's and the parent company's assets, liabilities and financial position at 30 June 2017 and of the group's cash flows for the six months ended 30 June 2017.

In our opinion, the management's review contains a fair review of developments in the group's and the parent company's activities and financial position and fairly describes principal risks and uncertainties that may affect the group.

Balance sheet

DKKm			Group
	30 June 2017	30 June 2016	FY 2016
Assets			
Owner-occupied properties	697	674	698
Deferred tax assets	133	288	217
Participating interests in joint ventures	0	13	0
Reinsurers' share of insurance contracts	234	226	183
Current tax assets	0	0	10
Other assets	2,166	2,495	1,612
Loans	4,981	5,511	5,106
Investment properties	1,164	952	905
Investment assets	25,105	25,104	25,205
Amounts due from credit institutions and central banks	365	398	705
Cash in hand and demand deposits	189	239	218
Total assets	35,034	35,900	34,859
Liabilities and equity			
Share capital	1,735	1,735	1,735
Reserves, retained profit etc.	2,949	3,171	2,634
Proposed dividend	0	0	831
Consolidated shareholders' equity	4,684	4,906	5,200
Subordinated debt	574	574	574
Provisions for insurance contracts	21,134	20,451	20,092
Other provisions	31	34	31
Current tax liabilities	17	1	0
Other liabilities	1,052	1,532	1,315
Deposits	7,097	7,362	6,953
Payables to credit institutions and central banks	445	1,040	694
Total liabilities and equity	35,034	35,900	34,859

Note 1 Own shares

Note 2 Contingent liabilities, guaranties and leasing

Note 3 Accounting policies - Group

Note 4 Financial highlights and key ratios

Income and comprehensive income statement

DKKm					Group
	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Income					
Premium income	1,593	1,560	3,258	3,143	6,309
Interest income etc.	171	198	387	420	819
Fee income etc.	35	35	71	74	134
Other income from investment activities	2	0	3	-2	4
Income associates	0	0	0	0	5
Other income	71	56	134	110	223
Total income	1,872	1,849	3,853	3,745	7,494
Costs					
Claims incurred	-1,070	-1,017	-2,154	-2,046	-4,004
Interest expenses	-24	-34	-49	-73	-128
Other cost from investment activities	-13	-20	-31	-41	-77
Impairment of loans, advances and receivables, etc.	19	-1	25	4	-23
Acquisition and administrative costs	-408	-369	-804	-715	-1,475
Total costs	-1,496	-1,441	-3,013	-2,871	-5,707
Profit from business ceded	-20	-57	-62	-137	-251
Change in life insurance provisions	-296	-455	-515	-658	-790
Change in profit margin, Pension	-1	203	-6	161	-27
Change in collective bonus potential	0	0	0	0	0
Exchange rate adjustments	246	198	351	331	434
Tax on pension investment returns	-34	-48	-65	-88	-120
Profit/loss before tax	271	249	543	483	1,033
Tax	-56	-55	-114	-104	-207
Profit/loss after tax	215	194	429	379	826
Earnings per share, DKK	1.3	1.2	2.6	2.3	5.0
Diluted earnings per share, DKK	1.3	1.1	2.6	2.2	4.9
Comprehensive income					
Profit for the period	215	194	429	379	826
<i>Items that may be recycled to profit or loss</i>	0	0	0	0	0
<i>Items that may not be recycled to profit or loss:</i>					
Revaluation of owner-occupied properties	0	0	0	0	9
Transferred to collective bonus potential	0	0	0	0	-9
Tax on other comprehensive income	0	0	0	0	0
Total other comprehensive income	0	0	0	0	0
Comprehensive income	215	194	429	379	826
Proposed allocation of profit/loss:					
Share attributable to Alm. Brand	215	194	429	379	826
Comprehensive income	215	194	429	379	826

Statement of changes in equity

DKKm	Share capital	Contin- gency funds	Other provi- sions	Retained profit	Proposed dividend	Consoli- dated equity
Shareholders' equity, 1 January 2016	1,735	182	1,215	1,512	521	5,165
Change in accounting policies				5		5
Adjusted shareholders' equity at 1 January 2016	1,735	182	1,215	1,517	521	5,170
Changes in equity H1 2016:						
Profit/loss for the period				379		379
Total income	0	0	0	379	0	379
Dividend distributed				21	-521	-500
Share option scheme, issuance				1		1
Share option scheme, exercise				13		13
Purchase and sale of treasury shares				-157		-157
Changes in equity	0	0	0	257	0	-264
Shareholders' equity, 30 June 2016	1,735	182	1,215	1,752	521	4,906
Adjusted shareholders' equity at 1 January 2016	1,735	182	1,215	1,517	87	5,170
Changes in equity 2016:						
Profit/loss for the year				826	0	826
Revaluation of owner-occupied properties				9		9
Transferred to collective bonus potential				-9		-9
Total income	0	0	0	826	0	826
Proposed dividend				-831	831	0
Dividend distributed				21	-521	-500
Share option scheme, issuance				1		1
Share option scheme, exercise				34		34
Purchase and sale of treasury shares				-321		-321
Capital movements in subsidiaries				-10		-10
Changes in equity	0	0	0	-280	310	30
Shareholders' equity, 31 December 2016	1,735	182	1,215	1,237	831	5,200
Shareholders' equity, 1 January 2017	1,735	182	1,215	1,237	831	5,200
Changes in equity H1 2017:						
Profit/loss for the period				429		429
Total income	0	0	0	429	0	429
Dividend distributed				18	-831	-813
Cancellation of treasury shares	-80			80		0
Share option scheme, exercise				12		12
Purchase and sale of treasury shares				-144		-144
Changes in equity	-80	0	0	395	-831	-516
Shareholders' equity, 30 June 2017	1,655	182	1,215	1,632	0	4,684

Capital target

DKKm	Distributable total capital 30 June 2017
Equity	4,684
Share buyback programme, outstanding	-217
Tax asset	-113
Profit margin, Non-life Insurance	150
Profit and risk margin, Pension	231
Tier 2 capital	574
Reservation IFRS 9	-100
Distributable total capital of the group	5,209
	Capital target 30 June 2017
DKKm	
Non-life insurance (40% of gross premium income)	2,066
Pension (8% of life insurance provisions)	1,040
Banking (1.9% of risk weighted assets)	1,402
Reservation MREL add-on	400
Diversification effects	-300
Consolidated capital target	4,608
Excess relative to internal capital target	601

Cash flow statement

DKKm	Group		
	H1 2017	H1 2016	FY 2016
Cash flows from operating activities			
Premiums received	3,792	3,307	6,177
Claims paid	-2,202	-2,087	-4,136
Interest receivable, dividends, etc.	405	401	778
Interest payable	-12	-22	-38
Payments concerning reinsurance	-116	85	-220
Fee income received	77	80	140
Fee income paid	-6	-6	-6
Expences paid	-1,085	-631	-1,426
Tax on pension investment returns paid	-74	-22	-67
Other ordinary income received	134	110	223
Taxes paid/received	-3	-1	-43
Cash flows from operating activities	910	1,214	1,382
Change in investment placement			
Acquisition of intangible assets, furniture, equipment, etc.	-104	-58	-160
Properties acquired or converted	1	-12	104
Sale/aquisition of equity investments	1	20	-396
Sale/repayment of mortgage deeds and loans	132	50	497
Sale/aquisition of bonds	-260	-258	717
Change in investment placement (net)	-230	-258	762
Change in financing			
Sale/purchase of treasury shares	-132	-157	-287
Dividend distributed	-831	-521	-521
Dividend received, treasury shares	18	21	21
Share issue	0	14	1
Change in issued bonds	0	-5	-5
Change in deposits	144	-637	-1,046
Change in payables to credit institutions	-248	330	-17
Change in other liabilities	0	0	-3
Change in financing	-1,049	-955	-1,857
Net change in cash and cash equivalents	-369	1	287
Cash and cash equivalents, beginning of period	923	636	636
Cash and cash equivalents, end of period	554	637	923

Segment reporting

DKKm						H1 2017	
	Non-life	Pension	Banking	Other	Elimi- nation	Group	
Premium income	2,545	713	0	0		3,258	
Interest income etc.	113	167	105	4	-2	387	
Fee income etc.	0	0	96	0	-25	71	
Other investment income	0	34	0	0	-31	3	
Income associates	0	0	0	0	0	0	
Other income	0	0	134	0		134	
Total income	2,658	914	335	4	-58	3,853	
Claims incurred	-1,621	-533	0	0		-2,154	
Interest expenses	-30	-2	-13	-6	2	-49	
Other investment expenses	-15	-18	0	-23	25	-31	
Impairment of loans, advances and receivables, etc.	0	0	25	0		25	
Acquisition and administrative expenses	-457	-51	-327	0	31	-804	
Total expenses	-2,123	-604	-315	-29	58	-3,013	
Result of business ceded	-62	0	0	0		-62	
Change in life insurance provisions	0	-515	0	0		-515	
Change in profit margin, Pension	0	-6	0	0		-6	
Exchange rate adjustments	-8	334	28	-3		351	
Tax on pension investment returns	0	-65	0	0		-65	
Profit/loss before tax	465	58	48	-28	0	543	
Tax	-98	-13	-10	7		-114	
Profit/loss after tax	367	45	38	-21	0	429	

DKKm						H1 2016	
	Non-life	Pension	Banking	Other	Elimi- nation	Group	
Premium income	2,492	651	0	0		3,143	
Interest income etc.	131	160	127	3	-1	420	
Fee income etc.	0	0	95	0	-21	74	
Other investment income	0	28	0	0	-30	-2	
Income associates	0	0	0	0	0	0	
Other income	0	0	110	0		110	
Total income	2,623	839	332	3	-52	3,745	
Claims incurred	-1,540	-506	0	0		-2,046	
Interest expenses	-44	-2	-22	-6	1	-73	
Other investment expenses	-17	-21	0	-24	21	-41	
Impairment of loans, advances and receivables, etc.	0	0	4	0		4	
Acquisition and administrative expenses	-418	-46	-281	0	30	-715	
Total expenses	-2,019	-575	-299	-30	52	-2,871	
Result of business ceded	-136	-1	0	0		-137	
Change in life insurance provisions	0	-658	0	0		-658	
Change in profit margin, Pension	0	161	0	0		161	
Exchange rate adjustments	-42	377	-4	0		331	
Tax on pension investment returns	0	-88	0	0		-88	
Profit/loss before tax	426	55	29	-27	0	483	
Tax	-90	-14	-6	6		-104	
Profit/loss after tax	336	41	23	-21	0	379	

Notes

DKKm	Group		
	H1 2017	H1 2016	FY 2016
Note 1 Own shares			
Carrying amount, beginning of period	0	0	0
Value adjustments	-132	-145	-288
Acquired during the period	144	162	321
Sold during the period	-12	-17	-33
Carrying amount, end of period	0	0	0
Nominal value, beginning of period	100	51	51
Acquired during the period	26	35	67
Sold during the period	-5	-9	-18
Cancellation of treasury shares	-80	0	-18
Nominal value, end of period	41	77	100
Holding number of shares ('000), beginning of period	10,034	5,090	5,090
Additions, number of shares	2,604	3,534	6,742
Disposals, number of shares	-536	-923	-1,798
Cancellation of treasury shares	-8,000	0	0
Holding number of shares ('000), end of period	4,102	7,701	10,034
Percentage of share capital, end of period	2.5%	4.4%	5.8%
Note 2 Contingent liabilities, guaranties and leasing			
Guarantee commitments	1,611	1,399	1,619

Notes

	30 June 2017				31 december 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Note 3 Fair value measurement of financial instruments								
Financial assets								
Loans and advances	0	3,591	1,389	4,980	0	3,598	1,523	5,121
Bonds	23,253	2	9	23,264	22,262	755	6	23,023
Shares	1,621	109	108	1,838	1,450	108	98	1,656
Investment properties	0	0	1,163	1,163	0	0	905	905
Other assets	1	701	0	702	1	827	0	828
Total financial assets	24,875	4,403	2,669	31,947	23,713	5,288	2,532	31,533
Financial liabilities								
Subordinated debt	0	175	399	574	175	0	399	574
Deposits	0	7,214	0	7,214	0	6,963	0	6,963
Other payables	0	451	8	459	1	698	0	699
Total financial liabilities	0	7,840	407	8,247	176	7,661	399	8,236

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

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

Level 2 is used where no quoted price is available but where the use of another official price is deemed to best reflect the fair value.

Level 3 is used for financial assets and liabilities for which a quoted price or other official price is not available or is deemed not to reflect the fair value. Instead, measurement techniques and other observable market data are used to determine the fair value. In the cases in which observable prices based on market data are not available or are not deemed to be usable for the determination of fair value, recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value. The assumptions may include recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc. The bank's unlisted shares that are not measured at a redistribution price belong to this category.

The process for recognising fair values has been structured so that effective segregation of duties has been set up between the departments in the group that report, monitor and effect the transactions. Reconciliation procedures have been set up for the purpose of identifying material discrepancies across the various reports and source systems used.

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement.

The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. There were no transfers between categories in the fair value hierarchy in 2016 or 2017.

DKKm	30 June 2017				
	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
Development in level 3 financial instruments					
Carrying amount, beginning of period	1,523	6	98	905	399
Additions during the year	4	3	9	0	0
Disposals during the year	-106	0	-1	-1	0
Realised value adjustments	-14	0	0	0	0
Unrealised value adjustments	-18	0	2	259	0
Carrying amount, end of period	1,389	9	108	1,163	399
Value adjustments recognised in the income statement	-32	0	2	259	0
DKKm	31 december 2016				
	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
Development in level 3 financial instruments					
Carrying amount, beginning of year	1,816	6	89	939	399
Additions during the year	16	0	3	14	0
Disposals during the year	-281	0	-3	-138	0
Value adjustments during the year				90	0
Realised value adjustments	-24	0	-2	0	0
Unrealised value adjustments	-4	0	11	0	0
Carrying amount, year-end	1,523	6	98	905	399
Value adjustments recognised in the income statement	-28	0	9	90	0

Notes

Note 4 Accounting policies, group

The consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and with the requirements of the Danish Financial Business Act and NASDAQ Copenhagen A/S of interim reports of listed financial enterprises. The application of IAS 34 means that the report is limited relative to the presentation of a full annual report.

The parent company interim report has been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

On 20 May 2016, the Danish FSA issued an interpretation on the calculation of profit margin for financial reporting purposes, according to which the profit margin on the conventional pension product is to be calculated in the financial statements on a policy basis rather than

on the basis of interest rate groups. In the opinion of Alm. Brand Liv og Pension and the industry, this approach does not provide a true and fair view of the practice applied in the conventional product. Discussions are under way between the industry and the FSA about the new interpretation and, pending the outcome of these discussions, Alm. Brand has chosen to continue to calculate profit margin on an interest rate group basis rather than on a policy basis. The interpretation solely concerns the distribution and specification of technical provisions for accounting purposes and will not impact the profit for the period or the solvency statement.

The interim report is unaudited.

The accounting policies of the parent company are described in connection with the parent company’s interim report. See separate section in this report.

Note 5 Financial highlights and key ratios

See the management’s review.

Balance sheet

DKKm	Note	Parent company		
		30 June 2017	30 June 2016	FY 2016
Assets				
Investment in group enterprises	1	4,466	4,493	4,956
Total investments in group enterprises and associates		4,466	4,493	4,956
Equity investments		1	1	1
Bonds		424	621	436
Other loans and advances		2	2	2
Deposits with credit institutions		0	0	17
Cash in hand and balances at call		5	0	16
Total other financial investment assets		432	624	472
Total investment assets		4,898	5,117	5,428
Receivables from group enterprises		12	16	13
Other receivables		34	34	45
Total receivables		46	50	58
Current tax assets		27	21	18
Deferred tax assets		8	13	0
Total other assets		35	34	18
Total prepayments		3	5	4
Total assets		4,982	5,206	5,508
Liabilities and equity				
Share capital		1,735	1,735	1,735
Other provisions		1,215	1,216	1,215
Proposed dividend		0	0	831
Retained earnings		1,734	1,955	1,419
Total shareholders' equity		4,684	4,906	5,200
Subordinated debt		250	250	250
Subordinated debt		250	250	250
Deferred tax liabilities		40	40	29
Total provisions		40	40	29
Payables to group enterprises		0	2	15
Issued bonds		0	0	0
Other payables		8	8	14
Total payables		8	10	29
Total liabilities and equity		4,982	5,206	5,508

Income and comprehensive income statement

DKKm	Note	Parent company				
		Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Income statement						
Income from group enterprises	2	225	203	450	400	873
Value adjustments, bonds		-2	0	-3	0	-3
Interest income and dividends etc.		2	2	4	3	7
Interest expenses		-3	-2	-6	-6	-13
Administrative expenses related to investment activities		-11	-12	-23	-24	-53
Profit/loss before tax		211	191	422	373	811
Tax		4	3	7	6	15
Profit/loss after tax		215	194	429	379	826
Comprehensive income						
Profit/loss for the period		215	194	429	379	826
Comprehensive income		215	194	429	379	826
Proposed allocation of loss:						
Proposed dividend		0	0	0	0	831
Retained earnings		215	194	429	379	-5
Comprehensive income		215	194	429	379	826

Accounting policies

3

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
Shareholders' equity at 1 January 2016	1,735	1,215	1,694	521	5,165
Change in accounting policies			5		5
Adjusted shareholders' equity at 1 January 2016	1,735	1,215	1,699	521	5,170
Changes in equity H1 2016:					
Profit/loss for the period			379	0	379
Comprehensive income			379	0	379
Dividend distributed			21	-521	-500
Purchase and sale of treasury shares			-157		-157
Share option scheme			1		1
Share option scheme, exercise			13		13
Changes in equity	0	0	257	-521	-264
Shareholders' equity at 30 June 2016	1,735	1,215	1,956	0	4,906
Adjusted shareholders' equity at 1 January 2016	1,735	1,215	1,699	521	5,170
Changes in equity 2016:					
Profit/loss for the year			826	0	826
Comprehensive income			826	0	826
Proposed dividend			-831	831	0
Dividende distributed			21	-521	-500
Purchase and sale of treasury shares			-321		-321
Share option scheme, issuance			1		1
Share option scheme, exercise			34		34
Capital movements in subsidiaries			-10		-10
Changes in equity	0	0	-280	310	30
Shareholders' equity at 31 December 2016	1,735	1,215	1,419	831	5,200
Shareholders' equity at 1 January 2017	1,735	1,215	1,419	831	5,200
Changes in equity H1 2017:					
Profit/loss for the period			429	0	429
Comprehensive income	0		429		429
Dividend distributed			18	-831	-813
Cancellation of treasury shares	-80		80		0
Share option scheme, exercise			12		12
Purchase and sale of treasury shares			-144		-144
Changes in equity	-80	0	395	-831	-516
Shareholders' equity at 30 June 2017	1,655	1,215	1,814	0	4,684

Notes

DKKm	30 June 2017	30 June 2016	FY 2016
Note 1 Investment in group enterprises			
Cost, beginning of period	8,491	8,491	8,491
Cost, end of period	8,491	8,491	8,491
Revaluation and impairment, beginning of period	-3,535	-3,336	-3,403
Change in accounting policies	0	-62	5
Dividend received	-940	-1,000	-1,000
Profit/loss for the period	450	400	873
Other movements in capital	0	0	-10
Revaluation and impairment of treasury shares in subsidiaries	0	0	0
Revaluation and impairment, end of period	-4,025	-3,998	-3,535
Investment in group enterprises, end of period	4,466	4,493	4,956
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,560	1,517	1,521
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	2,906	2,976	3,435
Investment in group enterprises, end of period	4,466	4,493	4,956

DKKm	H1 2017	H1 2016	FY 2016
Note 2 Income from group enterprises			
Alm. Brand Bank A/S	38	22	36
Alm. Brand Forsikring A/S	412	378	837
Total income from group enterprises	450	400	873
<i>The results are recognised in the following items:</i>			
Income from group enterprises	450	400	873
Total income from group enterprises	450	400	873

Note 3 Accounting policies, parent company

The interim report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

With respect to recognition and measurement, the accounting policies of the parent company are identical to those described for the group, with the exception that:

Investments in group enterprises are recognised and measured at the parent company's share of the group enterprises' net asset value on the balance sheet date. The value of Pensionskassen under Alm. Brand A/S is not recognised in the balance sheet but is exclusively disclosed in the notes as a contingent liability.

The accounting policies are unchanged from the policies applied in the annual report for 2016.

The interim report is unaudited.