

## Interim report - the third quarter

# 2016

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

**AUDITORS**

*Poul-Erik Winther*, Group Chief Auditor

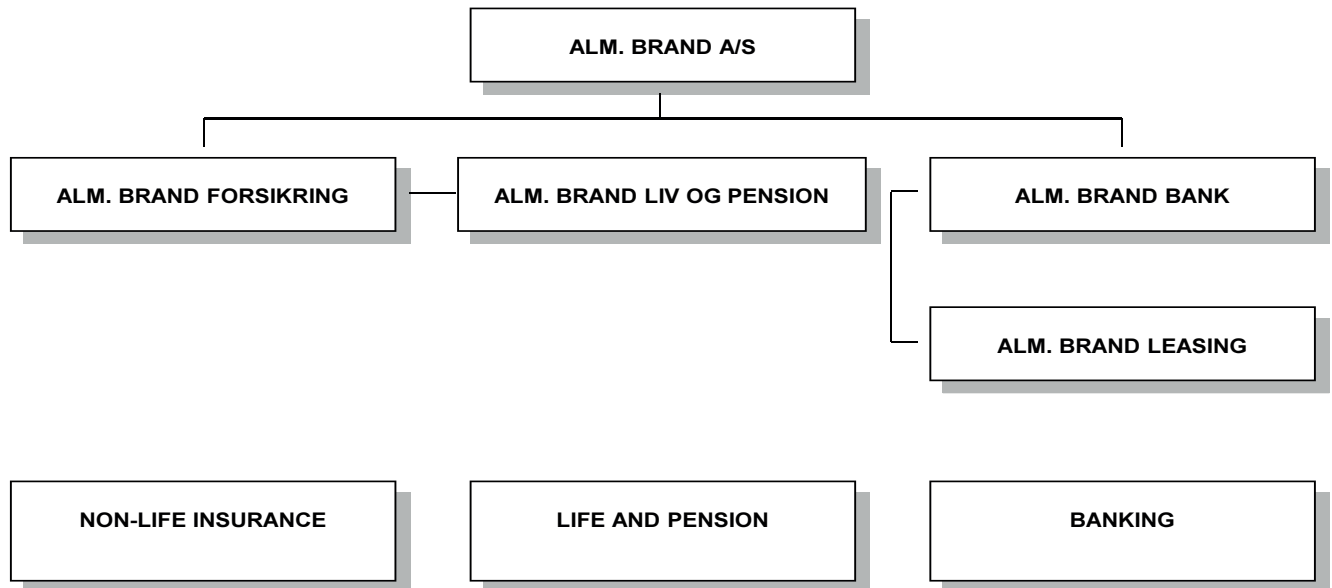
**REGISTRATION**

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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.

Alm. Brand’s vision “We take care of our customers” is the guiding principle for the experience customers should have when they interact with Alm. Brand.

The group’s insurance and pension products cover pri-

vate lines, agriculture as well as small and medium-sized enterprises. The bank focuses primarily on the private customer market as well as on asset management and markets activities.

Alm. Brand is Denmark’s fourth largest provider of non-life insurance products. The group’s life insurance, pension and banking activities complement the services we provide to our non-life insurance customers.

# Financial highlights and key ratios

DKKm	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>Income</b>					
Non-life Insurance	1,267	1,280	3,759	3,786	5,061
Life and Pension	273	248	924	970	1,311
Banking	154	167	486	501	662
Investments	124	134	411	441	562
<b>Total income</b>	<b>1,818</b>	<b>1,829</b>	<b>5,580</b>	<b>5,698</b>	<b>7,596</b>
<b>Profit</b>					
Non-life Insurance	310	302	736	722	952
Life and Pension	23	9	78	49	79
Banking	24	3	47	1	18
Other activities	-14	-12	-41	-43	-55
<b>Profit/loss before tax, forward-looking activities</b>	<b>343</b>	<b>302</b>	<b>820</b>	<b>729</b>	<b>994</b>
Banking, winding-up activities	-9	-82	-3	-234	-349
<b>Profit/loss before tax</b>	<b>334</b>	<b>220</b>	<b>817</b>	<b>495</b>	<b>645</b>
Tax	-69	-51	-173	-99	-121
<b>Profit/loss after tax</b>	<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>
<b>Consolidated profit/loss before tax, Group</b>	<b>334</b>	<b>220</b>	<b>817</b>	<b>495</b>	<b>645</b>
Tax	-69	-51	-173	-99	-121
<b>Consolidated profit/loss after tax, Group</b>	<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>
Provisions for insurance contracts	20,291	19,582	20,291	19,582	19,427
Shareholders' equity	5,111	5,076	5,111	5,076	5,165
Total assets	35,192	37,138	35,192	37,138	35,103
Return on equity before tax p.a. (%)	26.7	17.5	21.3	13.3	12.9
Return on equity after tax p.a. (%)	21.2	13.5	16.8	10.7	10.4
Earnings per share	1.6	1.0	3.9	2.5	3.1
Diluted Earnings per share	1.6	1.0	3.8	2.5	3.1
Net assets value per share	30	30	30	30	30
Share price end of period	50.5	38.4	50.5	38.4	48.4
Share price/Net asset value	1.66	1.29	1.66	1.29	1.60
Average number of shares ('000)	165,229	169,168	166,391	169,304	169,236
No. of shares, diluted ('000)	167,912	173,063	167,912	173,063	172,509
Average no. of shares, diluted ('000)	168,496	173,043	170,082	173,022	173,007
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	1.5
No. of shares bought back ('000)	1,511	-	4,778	-	574
Avr. price of shares bought back, DKK	47.7	-	46.4	-	46.7
Total payout ratio	0.9	-	3.3	-	0.3

# The Alm. Brand Group

Comparative figures for 2015 for Non-life Insurance and the group have been restated to reflect new financial reporting rules applicable to insurance companies. The comparative figures for Life and Pension have not been restated.

## Q3 2016 PERFORMANCE

The Alm. Brand Group achieved a pre-tax profit of DKK 334 million in Q3 2016, compared with a profit of DKK 220 million in Q3 2015.

The performance equalled a return on equity of 26.7% p.a. before tax, which was highly satisfactory.

### Non-life Insurance

The group's non-life insurance activities generated pre-tax profit of DKK 310 million in Q3 2016, against DKK 302 million a year earlier. The performance was highly satisfactory.

The technical result was a profit of DKK 294 million. This marked a year-on-year decline of DKK 62 million due, in part, to several large fire incidents driving up expenses for major claims. On the other hand, the third quarter was characterised by high run-off gains and a very low level of weather-related claims expenses. A higher claims frequency was reported on the underlying business. Non-life Insurance produced an overall combined ratio of 76.7, which was significantly better than expected.

Premiums were down by about 1% year on year in Q3. The decline was in line with expectations, reflecting the implemented premium level adjustments, especially on motor insurances. The retention rate remained high, and customer numbers have been growing in 2016 to date.

The investment result was a profit of DKK 16 million in Q3 2016, marking a DKK 70 million improvement year on year. This performance was driven by the positive effects of a contraction of the spread between mortgage bonds and swap rates. In the same period of 2015, the investment result was adversely affected by a widening of the spread.

### Life and Pension

Life and Pension generated profit of DKK 26 million before tax. The group's life insurance activities generated a satisfactory pre-tax profit of DKK 23 million.

Total pension contributions were on a par with Q3 2015. Contributions continued to increase on guaranteed schemes, particularly in terms of regular payments, while payments into market-based schemes were lower than last year.

Life and Pension has a highly satisfactory bonus rate of 17.5%.

### Banking

The bank's forward-looking activities produced a pre-tax profit of DKK 24 million in Q3 2016. The performance was better than expected.

Over the past year, the bank has seen a continuous increase in customer numbers and activity level, with the number of full-service customers increasing by 13%, and the portfolio of Totalkredit loans growing by 18%. Leasing activities are experiencing continued growth in the number of customers and the portfolio of cars.

Financial Markets reported continued growth in customer numbers and assets under management. However, the performance was adversely affected by the lower fees on investment products characterising the market in general.

### *Winding-up activities*

The bank's winding-up activities posted a loss of DKK 9 million in Q3. The performance before impairment writedowns was significantly improved, mainly as a result of lower funding costs. Impairment writedowns amounted to DKK 24 million in Q3, which was also a significant improvement over last year.

### Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The Q3 performance was a loss of DKK 14 million, against a loss of DKK 12 million in the same period of 2015.

## Q1-Q3 2016 PERFORMANCE

The group posted a consolidated pre-tax profit of DKK 817 million in 9M 2016, against DKK 495 million in 9M

2015. The performance equalled a return on equity of 21.3% p.a. before tax, which was highly satisfactory.

The forward-looking activities generated a profit of DKK 820 million, against a profit of DKK 729 million last year, whereas the performance of the winding-up activities was a loss of DKK 3 million, against a loss of DKK 234 million in 9M 2015.

Non-life Insurance reported a profit of DKK 736 million and a combined ratio of 81.5. Life and Pension posted a profit of DKK 78 million, and the bank's forward-looking activities generated a profit of DKK 47 million.

Earnings per share amounted to DKK 3.9, and the net asset value per share was DKK 30 at 30 September 2016 for a price/NAV ratio of 1.66.

At 30 September 2016, the group had an average of 1,552 FTEs, which was unchanged from the year-earlier date.

Consolidated equity was DKK 5.1 billion at 30 September 2016, against DKK 5.2 billion at 31 December 2015.

The Alm. Brand Group's consolidated revenue was DKK 5.6 billion for the nine months ended 30 September 2016.

## CAPITALISATION

The group's internal capital target was DKK 4,161 million, and the excess relative to the target was DKK 1,010 million. The excess increased by DKK 342 million in Q3, driven primarily by the very strong quarterly results.

	Q3	Q2
DKKm	2016	2016
Total capital	5,171	4,848
Statutory capital requirement for the group	2,469	2,515
<b>Excess relative to statutory capital requirement</b>	<b>2,702</b>	<b>2,333</b>
Internal capital target of the group	4,161	4,180
Excess relative to internal capital target	1,010	668

The transition to Solvency II makes it possible to include the profit margin of insurance companies, which improves the total capital of Alm. Brand Forsikring and Alm. Brand Liv og Pension, respectively. The profit margin reflects several years' expected profit as a result of the long-tail nature of the agreements in Alm. Brand Liv og Pension. In Alm. Brand Forsikring, on the other hand, the profit margin reflects the fact that most of the agreements entered into have less than one year left of the term of agreement. It should be emphasised that

the total capital and the capital requirements of the insurance companies may fluctuate more than they have done to date.

On the other hand, the introduction of CRD IV for the bank will entail a higher capital requirement.

Alm. Brand is therefore currently reviewing the group's capital target to ensure that it reflects the above factors. The group's ability to distribute dividends is expected to remain largely unchanged following the determination of a new capital target.

## CUSTOMER SERVICE

Alm. Brand's CUSTOMERS FIRST strategy has gradually evolved since 2012. The strategy ensures, among other things, that customers get supreme service. The work to optimise customer service has exceeded our expectations. Over the past few years, the group's customer satisfaction rates have increased significantly, and the most recent customer satisfaction surveys, conducted in the third quarter, showed that the NPS more than doubled during the period to 39, reflecting very high customer satisfaction.

## Digital customer solutions

In the second quarter, most private insurance customers were informed of Alm. Brand's decision to use digital communication in future. As a result, 86% of our customers have now gone digital. We expect more than 90% of our private customers to have transitioned to digital communication by the end of 2017.

In the third quarter, the group's pension customers and commercial customers in Non-life Insurance were also informed of Alm. Brand's digital communication initiative. We expect most of these customers to go digital in the first half of 2017.

## OUTLOOK

The guidance for FY2016 consolidated pre-tax profit is lifted by DKK 200 million to DKK 900-1,000 million. The guidance for forward-looking activities is lifted to DKK 925-1,025 million. The guidance for winding-up activities is revised to a loss of DKK 25 million.

DKKm	2016
<b>Forecast</b>	<b>900-1,000</b>
Forward-looking activities	925-1,025
Non-life	900
Life and Pension	90
Banking	50
Other activities	-60
Winding-up activities	-25

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2016. The group has a substantial portfolio of investment assets, and the low level of interest rates is adversely affecting all of the group's business areas. Volatility in the fixed-income markets is also a significant factor of uncertainty, and particularly a widening of the credit spread between mortgage bonds and swap rates could have an adverse effect on the outlook.

#### **Non-life Insurance**

The guidance for Non-life Insurance is lifted by DKK 200 million to a profit of DKK 900 million before tax. This upward revision is based in particular on fewer weather-related claims in Q3 and run-off gains. The profit corresponds to a combined ratio of about 83-84 and an expense ratio of around 16.5%. Premium income is still expected to be 1% lower than in 2015.

#### **Life and Pension**

The guidance for Life and Pension is unchanged at a profit of about DKK 90 million before tax.

Regular premiums are expected to continue to increase at a rate of about 5% in 2016.

#### **Banking**

The guidance for the bank's forward-looking activities is also maintained at a profit of DKK 50 million before tax.

#### **Other activities**

The guidance for other activities, comprising costs and interest related to the parent company, Alm. Brand A/S, is lowered by DKK 10 million to a loss of DKK 60 million before tax.

#### **Winding-up activities**

The guidance for the group's winding-up activities is revised to a loss of DKK 25 million before tax.

Developments in the agricultural sector remain subject to significant uncertainty.

The expected reduction of the winding-up portfolio remains at DKK 250 million.

#### **Outlook for 2017**

The consolidated profit for 2017 is expected to be in the range of DKK 400-500 million at a combined ratio of about 92. The winding-up activities are expected to report a break-even performance.

#### **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 attacks, 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	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Year 2015
Gross premiums	1,267	1,280	3,759	3,786	5,061
Claims incurred	-720	-655	-2,260	-2,155	-3,018
Underwriting management expenses	-204	-198	-622	-602	-807
Profit from business ceded	-49	-71	-185	-218	-245
<b>Underwriting profit</b>	<b>294</b>	<b>356</b>	<b>692</b>	<b>811</b>	<b>991</b>
Interest and dividends etc.	52	58	166	183	237
Capital gains/losses	11	-61	91	-243	-258
Management expenses relating to investment business	-6	-7	-23	-23	-30
Interest on and value adjustment of technical provisions	-41	-44	-190	-6	12
<b>Investment return after interest on provisions</b>	<b>16</b>	<b>-54</b>	<b>44</b>	<b>-89</b>	<b>-39</b>
<b>Profit/loss before tax</b>	<b>310</b>	<b>302</b>	<b>736</b>	<b>722</b>	<b>952</b>
Tax	-64	-69	-154	-169	-214
<b>Profit/loss for the year</b>	<b>246</b>	<b>233</b>	<b>582</b>	<b>553</b>	<b>738</b>
Run-off gains/losses	151	125	348	332	485
Technical provisions	8,112	7,670	8,112	7,670	7,397
Insurance assets	295	231	295	231	227
Shareholders' equity	2,414	2,564	2,414	2,564	2,750
Total assets	11,396	11,106	11,396	11,106	11,114
Gross claims ratio	56.7	51.2	60.1	56.9	59.6
Net reinsurance ratio	3.9	5.5	4.9	5.8	4.9
<b>Claims trend</b>	<b>60.6</b>	<b>56.7</b>	<b>65.0</b>	<b>62.7</b>	<b>64.5</b>
Gross expense ratio	16.1	15.5	16.5	15.9	15.9
<b>Combined ratio</b>	<b>76.7</b>	<b>72.2</b>	<b>81.5</b>	<b>78.6</b>	<b>80.4</b>
Return on equity before tax p.a. (%)	54.4	49.6	39.0	39.6	38.2
Return on equity after tax p.a. (%)	43.2	38.1	30.9	30.4	29.6

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. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 have been restated as a result of changes therein.

## Q3 2016 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 310 million in Q3 2016 (Q3 2015: DKK 304 million profit). The performance was highly satisfactory and better than expected.

The year-on-year improvement was driven by a DKK 70 million improvement of the investment result to a gain of DKK 16 million in Q3 2016.

The technical result was a profit of DKK 294 million in Q3 2016, which was DKK 62 million less than in Q3 2015. The third quarter was impacted by several significant major claims, a higher number of small claims and a slight drop in premium income relative to Q3 2015. However, this was partially offset by high run-off gains and very low weather-related expenses.

The Q3 combined ratio was 76.7. Net of run-off gains on claims provisions, the combined ratio was 88.0 in Q3 2016, against an expected normal level of 91-92.

The underlying combined ratio was 77.4 in Q3, which was significantly better than expected, meaning that the number of delayed claims indicated in the HI report was too high. The actual number delayed claims in the third quarter was consequently lower than expected, which had a positive effect on the Q3 underlying combined ratio of about 2.5 percentage points.

Moreover, the performance of the underlying business was lifted by lower average claims expenses, but adversely affected by higher claims frequencies.

	Q3 2016	Q3 2015	Year 2015
Combined Ratio, underlying business	77.4	74.8	78.9
Major claims	8.4	3.0	5.3
Weather-related claims	1.9	3.1	4.4
Reinstatement premiums	-0.1	0	0.3
Run-off result, claims	-11.3	-8.9	-8.5
Change in risk margin, run-off result and current year	0.4	0.2	0.0
Combined Ratio	76.7	72.2	80.4

The combined ratio was adversely affected by 0.4 of a percentage point due to changes in the risk margin for the current year and the run-off result as a result of an increase in the capital need.

### **Premiums**

Gross premiums amounted to DKK 1,267 million in Q3 2016, which was 1.0% less than in Q3 2015. This was in line with expectations. The decline was caused by lower average premiums, in particular on motor insurances. However, the retention rate remains high on both commercial and private customer segments, and the upward trend in the private segment is now also evident in the commercial segment.

### **Claims experience**

The claims experience for Q3 2016 was 60.6%, against 56.7% in Q3 2015, which, however, saw an extraordinarily strong claims experience. The Q3 claims experience was better than expected, as the impact from higher expenses for major claims and a higher claims frequency was partly off-set by high run-off gains. Net of run-off gains, the claims experience was 72.0%, which was slightly better than expected.

#### *Weather-related claims*

Weather-related claims net of reinsurance amounted to DKK 24 million. This marked a decline of DKK 15 million year on year, which was due to the generally very few weather-related incidents in Q3 2016. However, the first half of July was characterised by heavy rains and minor cloudbursts. Nevertheless, weather-related claims only affected the combined ratio by 1.9 percentage points, which was better than the normal level of 3-4%.

#### *Major claims*

Net of reinsurance, major claims totalled DKK 107 million, which was DKK 69 million more than in the same period of 2015. The number of major claims was slightly lower than expected in the third quarter, but expenses for major claims were affected by several major fire incidents. Major claims affected the combined ratio by 8.4 percentage points, which was above the expected normal range of 7-8%.

#### *Underlying business*

The number of claims reported in the third quarter of 2016 was higher than in the year-earlier period, but average claims expenses were lower than in 2015. In addition, the performance was lifted by the fact that the actual number of delayed claims was lower in the third quarter than expected at 30 June 2016. Overall, the underlying claims ratio was thus slightly lower than expected, marking an improvement compared with the

relatively high level reported in the second quarter of 2016.

#### *Run-off result*

The run-off result net of reinsurance produced a gain of DKK 151 million, which was DKK 26 million higher than in 2015. The run-off result was mainly attributable to workers' compensation and personal accident insurances as well as to building and home contents insurances in both Commercial and Private. Also contributing to the run-off result was a recalibration of provisioning models to make them less conservative, while still ensuring a higher probability of run-off gains than of run-off losses. The run-off result for the risk margin contributed a gain of DKK 8 million in Q3 2016, as compared with DKK 9 million in Q3 2015.

### **Costs**

Total costs amounted to DKK 204 million in Q3 2016, equivalent to an expense ratio of 16.1. Costs were higher than in Q3 2015 but in line with the level expected for the quarter.

### **Net reinsurance ratio**

The net reinsurance ratio was 3.9 in Q3 2016, against 5.5 in the same period of 2015. The lower net expense in 2016 was driven by reinsurance coverage on major fire incidents in the third quarter.

### **Discounting**

The new financial reporting rules introduced under Solvency II entail an interest rate dependence in both gross premium income and claims experience.

From 30 September 2015 to 30 September 2016, the yield curve, which is used for discounting purposes, fell by approximately 0.2 of a percentage point at the short end of the curve, while the 10-year yield declined by about 0.6 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. From an overall perspective, however, interest rate developments only had a minor effect on premium income and claims experience.

### **PRIVATE**

The technical result was a profit of DKK 150 million in Q3 2016, against DKK 141 million in Q3 2015.

The combined ratio was 77.1, which was highly satisfactory compared with expectations. In particular, the result was favourably affected by high run-off gains and slightly lower than expected expenses for major claims and weather-related claims.

Premium income amounted to DKK 658 million in Q3 2016, which was slightly better than expected, driven by Alm. Brand continuing to sell more insurances than expected in the third quarter. However, the insurances were sold at a lower average premium than previously, especially in motor insurance lines. The decline in average premiums reflects a very competitive insurance market. Overall, premium income for the private customer segment was unchanged from Q3 2015. The customer retention rate is high, and the upward trend continued in the third quarter, which was positive and a result of the customer loyalty initiatives implemented.

#### Private

	Q3	Q3	Year
DKK m	2016	2015	2015
Gross premiums	658	659	2,615
Claims incurred	-375	-381	-1,708
Underwriting management expenses	-116	-117	-462
Profit/loss from business ceded	-17	-20	-60
<b>Underwriting profit</b>	<b>150</b>	<b>141</b>	<b>385</b>
Run-off gains/losses	72	55	174
Gross claims ratio	57.0	57.7	65.3
Net reinsurance ratio	2.6	3.0	2.3
<b>Claims trend</b>	<b>59.6</b>	<b>60.7</b>	<b>67.6</b>
Gross expense ratio	17.5	17.8	17.6
<b>Combined Ratio</b>	<b>77.1</b>	<b>78.5</b>	<b>85.2</b>

The claims experience excluding run-off gains on claims was 70.0% (Q3 2015: 68.2%).

Weather-related claims totalled DKK 12 million net of reinsurance (Q3 2015: DKK 6 million), affecting the combined ratio by 1.9 percentage points. Weather-related claims were impacted by several heavy rain and minor cloudburst incidents in the first half of July, but nevertheless came out below the level expected for the third quarter.

Major claims expenses totalled DKK 19 million net of reinsurance, which was DKK 7 million higher than in 2015, and impacted the combined ratio by 2.9 percentage points, against 1.8 percentage points in 2015. However, the expenses were significantly below the expected level.

The underlying claims ratio increased by 1.2 percentage points relative to the year-earlier period. The claims ratio was favourably affected by generally lower average claims but adversely impacted by a higher claims frequency. The claims frequency for travel insurance remained high but now seems to have stabilised at a new level after the discontinuation of the Danish public travel health insurance scheme (the yellow national health insurance card). The claims ratio for compre-

hensive motor insurance has increased following the introduction of a new motor product. The product offers a lower basic premium and a number of new covers, which all in all means lower claims expenses but higher claims frequencies.

The expense ratio declined by 0.3 of a percentage point to 17.5 in Q3 2016 in line with expectations.

The run-off result net of reinsurance produced a gain of DKK 72 million (Q3 2015: DKK 55 million). The run-off result was mainly driven by a lower provisioning level on personal accident insurance and motor liability insurance and to a small extent by gains on private customer building insurances. The run-off result for the risk margin contributed a gain of DKK 4 million, which was unchanged from Q3 2015.

#### COMMERCIAL

The technical result was a profit of DKK 144 million in Q3 2016, against a profit of DKK 215 million in Q3 2015.

The combined ratio was 76.3, which was highly satisfactory compared with expectations. The combined ratio was favourably affected by run-off gains and fewer weather-related claims. On the other hand, the result was adversely affected by a number of significant major claims.

Premium income declined by DKK 12 million to DKK 609 million in Q3, which was a slightly greater drop than expected. The commercial market remains extremely competitive, but Alm. Brand nevertheless sold more insurances than anticipated in the third quarter. However, the insurances were sold at a lower average premium than previously, especially on products in the agricultural and motor insurance lines. The customer retention rate remains high, showing a slight upward trend.

#### Commercial

	Q3	Q3	Year
DKK m	2016	2015	2015
Gross premiums	609	621	2,446
Claims incurred	-345	-274	-1,310
Underwriting management expenses	-88	-81	-345
Profit/loss from business ceded	-32	-51	-185
<b>Underwriting profit</b>	<b>144</b>	<b>215</b>	<b>606</b>
Run-off gains/losses	79	70	311
Gross claims ratio	56.5	44.2	53.6
Net reinsurance ratio	5.3	8.2	7.5
<b>Claims trend</b>	<b>61.8</b>	<b>52.4</b>	<b>61.1</b>
Gross expense ratio	14.5	13.0	14.1
<b>Combined Ratio</b>	<b>76.3</b>	<b>65.4</b>	<b>75.2</b>

The claims experience excluding run-off gains on claims was 74.2% (Q3 2015: 62.7%).

Weather-related claims totalled DKK 12 million net of reinsurance (Q3 2015: DKK 24 million), which affected the combined ratio by 2.0 percentage points, against 3.9 percentage points in 2015. Weather-related claims expenses in the commercial customer segment were below the expected level in the third quarter.

Major claims totalled DKK 88 million net of reinsurance (Q3 2015: DKK 26 million) and impacted the combined ratio by 14.4 percentage points, against 4.2 percentage points in 2015. Overall, major claims expenses were significantly higher than expected, in particular due to a number of major fire incidents.

The underlying claims ratio increased by 3.0 percentage points relative to the year-earlier period. The increase was due to a higher claims frequency, mainly on workers' compensation and building insurance, while average claims expenses were generally on a par with last year. Moreover, the claims ratio for comprehensive motor insurance has increased following the introduction of a new motor product. The product offers a lower basic premium and a number of new covers, which all in all means lower claims expenses but higher claims frequencies.

The expense ratio was 14.5 in Q3 2016, or 1.5 percentage points higher than in Q3 2015, which was in line with expectations.

The run-off result net of reinsurance produced a gain of DKK 79 million, against DKK 70 million in 2015. The run-off gains were mainly driven by the lower provisioning level on workers' compensation and building insurance. The run-off result for the risk margin con-

tributed a gain of DKK 4 million, as compared with DKK 5 million in Q3 2015.

## INVESTMENT RESULT

The investment result was a gain of DKK 16 million in Q3 2016, against a loss of DKK 54 million in the year-earlier period. Before transfer to insurance activities, the investment result was a gain of DKK 57 million, against a loss of DKK 10 million in Q3 2015. The Q3 2016 investment result was satisfactory.

The investment assets are distributed on Danish and foreign bonds, mortgage deeds and equities and a small portfolio of properties. The goal is to achieve a satisfactory financial risk/return ratio. Our overall goal is to keep the market risk low. The financial risk may be adjusted using financial instruments.

In the third quarter, the investment return after interest on provisions was lifted by the fact that Danish mortgage bonds outperformed the equivalent swap rates. The hedging of provisions also made a favourable contribution.

The investment return was also lifted by equity market developments. The mortgage deed portfolio likewise contributed to the return, although the return was lower than expected due to increased redemption activity in the quarter.

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 EIOPA yield curve and the VA premium combine to produce a significantly higher interest on technical provisions than the risk-free curve does.

Investment return DKK m	Q3 2016			Q3 2015		
	Investment assets	Return	Pct.	Investment assets	Return	Pct.
Bonds etc.	8,318	50	0.6	8,374	15	0.2
Mortgage deeds etc.	1,449	3	0.2	1,621	2	0.1
Equities	205	10	4.8	261	-20	-8.0
Property	18	0	1.4	18	0	1.0
<b>Total return on investments</b>	<b>9,990</b>	<b>63</b>	<b>0.6</b>	<b>10,274</b>	<b>-3</b>	<b>0.0</b>
Administrative expenses		-6			-7	
Discounting of technical provisions		-35			-28	
Interest on technical provision		-6			-16	
<b>Investment return after interest on provisions</b>		<b>16</b>			<b>-54</b>	

### Q1-Q3 2016 PERFORMANCE

The group's non-life insurance activities generated profit before tax of DKK 736 million in 9M 2016, as compared with a DKK 722 million profit in 9M 2015. The performance was highly satisfactory.

The technical result was a profit of DKK 692 million (9M 2015: DKK 811 million), equivalent to a combined ratio of 81.5 (9M 2015: 78.6). In particular, the increase was due to major claims in the commercial customer segment and to a higher expense ratio compared with the same period of last year. On the other hand, the combined ratio for the first nine months of 2016 was favourably affected by fewer weather-related claims expenses and slightly greater run-off gains than in 9M 2015.

Premium income was DKK 3,759 million, marking a slight decline relative to the same period of 2015. However, premium income came out slightly higher than anticipated.

Weather-related claims were DKK 65 million net of reinsurance, against DKK 96 million in the year-earlier period. The mild winter and the fewer and smaller windstorms than anticipated had a positive effect on the 9M performance. However, there were a number of heavy rain and cloudburst incidents, especially in June and July. Overall, the number of weather-related claims was unusually low compared with the level expected for the first nine months of the year. Weather-related claims affected the combined ratio by 1.7 percentage points (9M 2015: 2.5 percentage points).

Major claims totalled DKK 300 million in 9M 2016, against DKK 199 million in 9M 2015. The number of major claims was lower than expected for private lines, but both claims volumes and claims expenses were above the level anticipated for commercial lines. Overall, the level of major claims expenses was within the normal range, affecting the combined ratio by 8.0 percentage points (2015: 5.3 percentage points).

The combined ratio of the underlying business was 80.0, which was slightly higher than in 9M 2015 but in

line with the long-term target of an underlying combined ratio of 80. There was a higher claims frequency, which, however, was partly offset by lower average claims expenses. Moreover, the lower premium income detracted from performance. The discount rate declined from 30 September 2015 to 30 September 2016, but this had no significant impact on the underlying business.

	Q1-Q3 2016	Q1-Q3 2015	Year 2015
Combined Ratio, underlying business	80.0	78.2	78.9
Major claims	8.0	5.3	5.3
Weather-related claims	1.7	2.5	4.4
Reinstatement premiums	-0.1	0.1	0.3
Run-off result, claims	-8.3	-7.8	-8.5
Change in risk margin, run-off result and current year	0.2	0.3	0.0
Combined Ratio	81.5	78.6	80.4

Run-off gains totalled DKK 348 million, against DKK 332 million in 2015. The gains were seen primarily in personal insurance lines and on building and contents insurance.

The investment result after transfer to insurance activities improved significantly to a gain of DKK 44 million in 9M 2016, against a loss of DKK 89 million in 9M 2015. Before expenses and transfer to insurance activities, the investment result was a gain of DKK 234 million in 9M 2016, up from a loss of DKK 83 million in 9M 2015. The investment result was satisfactory.

### CAPITALISATION

The capital requirement of Alm. Brand Forsikring A/S was DKK 1,351 million at 30 September 2016, against DKK 1,383 million at 30 June 2016.

The total capital calculated in accordance with Solvency II was DKK 3,638 million, which means that the company had an excess cover relative to the capital requirement of DKK 2,286 million.

At 30 September 2016, shareholders' equity allocated to Non-life Insurance was DKK 2.4 billion.

# Life and Pension

DKKm	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Year 2015
Premiums	273	248	924	970	1,311
Investment return after allocation of interest	165	-87	614	-68	133
Claims incurred	-223	-209	-729	-750	-1,104
Total underwriting management expenses	-23	-19	-69	-64	-84
Profit/loss from business ceded	-1	-3	-2	-4	-4
Change in life insurance provisions	-170	-132	-667	-152	-120
Change in collective bonus potential	-	214	-	121	-30
Government Tax on unallocated funds	0	-2	0	-5	-22
<b>Underwriting profit/loss</b>	<b>21</b>	<b>10</b>	<b>71</b>	<b>48</b>	<b>80</b>
Return on investments allocated to equity	2	-1	7	1	-1
<b>Profit/loss before tax</b>	<b>23</b>	<b>9</b>	<b>78</b>	<b>49</b>	<b>79</b>
Tax	-5	-3	-19	6	-2
<b>Profit/loss after tax</b>	<b>18</b>	<b>6</b>	<b>59</b>	<b>55</b>	<b>77</b>
<b>Return requirement for shareholders' equity</b>					
Return on investments allocated to equity	2	-1	7	1	-1
Result of portfolios without bonus entitlement	-1	1	0	6	6
Group life	1	3	5	12	17
Interest result	6	4	16	12	17
Expense result	0	1	-2	-8	-9
Risk result	14	11	51	36	48
Transferred to/from the shadow account	0	-10	0	-10	0
<b>Profit/loss before tax *)</b>	<b>22</b>	<b>9</b>	<b>77</b>	<b>49</b>	<b>78</b>
Total technical provisions	12,179	11,911	12,179	11,911	12,030
Shareholders' equity	833	823	833	823	844
Total assets	13,811	13,761	13,811	13,761	13,930
Return on equity before tax p.a. (%)	10.8	4.2	12.4	8.0	9.6
Return on equity after tax p.a. (%)	8.2	3.0	9.4	9.0	9.3
Bonus rate (%)	17.5	8.2	17.5	8.2	9.7

\*) Profit before tax of the parent company Alm. Brand Liv og Pension A/S, which includes post-tax return on investment in the EMD Local Currency investment fund.

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. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 have not been restated as a result of changes therein.

## Investment return on policyholders funds in Life and Pension Q1-Q3 2016

	Return ratio in % (YTD)
Interest-bearing assets	6.6
Shares	0.6
Property	3.0
<b>Total</b>	<b>5.6</b>

## Q3 2016 PERFORMANCE

The company posted a profit of DKK 23 million before tax in Q3 2016, marking a DKK 14 million improvement year on year. However, this was mainly due to the 9M 2015 performance being adversely affected by a DKK 10 million transfer to shadow accounts. The performance was satisfactory and better than expected.

The profit was composed as follows:

- Expense and risk result of DKK 14 million
- Interest rate result of DKK 6 million
- Profit of DKK 1 million from the group life in surance business
- Profit of minus DKK 1 million from life annuities without bonus entitlement
- Return on investment allocated to equity of DKK 2 million.

At 30 September 2016, the bonus rate was 17.5%, down slightly from 18.4% at 30 June 2016. The bonus rate remained highly satisfactory, ensuring that Life and Pension can continue to offer high and competitive rates on policyholders' savings.

#### **Bonus rate**

The implementation of a new executive order on financial reports entails a change in the calculation of the bonus rate. The bonus rate is now calculated as the sum of the collective and the individual bonus potential. This makes the bonus rate more sensitive to interest rate changes and thus more volatile.

#### **Pension contributions**

##### *Payments into guaranteed schemes*

In Q3 2016, premiums amounted to a total of DKK 273 million, marking a year-on-year increase of DKK 25 million, or 10.2%.

This figure covers an increase in regular premiums of 21.2% and an increase in single payments of 0.7%. Growth in regular premiums mainly covers a timing difference for premiums on insurances written through Forenede Gruppeliv. Excluding the timing difference, regular premiums increased by close to 4%.

##### *Payments into market schemes*

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

Payments into these schemes amounted to DKK 73 million in Q3 2016, against DKK 99 million in Q3 2015. At a decline of 26.7%, The performance was not satisfactory.

##### *Total pension contributions*

Total payments into pension schemes including investment schemes with the bank amounted to DKK 346 million in Q3 2016, which was largely unchanged from the year-earlier period.

#### **Benefits paid**

The total amount of benefits paid in Q3 2016 was DKK 223 million, against DKK 209 million in Q3 2015.

##### *Risk result*

Net of reinsurance, the risk result, which expresses the difference between risk premiums and actual claims expenses, was an income of DKK 14 million in Q3 2016, marking a DKK 3 million increase on Q3 2015. As the

main reason for the increase, the result in 2016 included the company's share of Forenede Gruppeliv's risk result, which it did not in 2015.

The risk result was highly satisfactory.

#### **Costs**

Acquisition and administrative expenses totalled DKK 23 million in Q3 2016, against DKK 19 million in Q3 2015. The increase was mainly due to higher acquisition costs as a result of the company's growth strategy.

##### *Expense result*

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was at break-even in Q3 2016. The expense result should be seen in light of the fact that Alm. Brand Liv og 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 199 million for Q3 2016, corresponding to a return of 1.2% (5.0% p.a.). Total investment assets, which amounted to DKK 12.9 billion at 30 September 2016, are placed in bonds, equities and property.

The Q3 return, calculated before tax on pension returns but after investment costs, was lifted by the share price performance and the decline in interest rates, which produced capital gains on both bonds and interest rate hedges.

Financial instruments used to partially hedge insurance liabilities also made a positive contribution to the return due to the lower level of interest rates.

	Share	Return Q3	Return p.a.
Bonds	73%	1.1%	4.5%
Equities	16%	2.0%	7.8%
Properties	11%	1.1%	4.4%
Total	100%	1.2%	5.0%

#### **Life insurance provisions**

Total life insurance provisions increased by DKK 170 million to an aggregate of DKK 12.7 billion in Q3 2016. The increase was due to accrued interest and a lower discount rate as well as to a fair net inflow of pension funds during the period.

Provisions have been calculated in accordance with the Solvency II rules, which entered into force on 1 January 2016. Among other things, this means that the collective bonus potential will form part of life insurance provisions going forward. As a result, the item will no

longer be presented as a separate line item in the financial statements.

### Bonus rate

The total bonus rate was 17.5% at 30 September 2016, against 18.4% at 30 June 2016. The decline was primarily due to the lower level of interest rates. However, the bonus rate remains highly satisfactory.

Under the new financial reporting rules, the bonus rate is calculated differently than before, but a high bonus rate still reflects the company's ability to offer a high rate on policyholders' savings.

New policyholders are placed in interest rate group 0,

which had a bonus rate of 20.2% at 30 September 2016.

In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was at a highly satisfactory 10.3% in Q3 2016. This group continues to pursue a prudent investment policy based on a substantial share of bonds and financial instruments with a view to striking a healthy balance between the group's investments and liabilities.

The table below shows the current rates on policyholders' savings, bonus rates, returns and breakdown of policyholders' 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	5.00	5.00	6.00	
Investment assets (DKKbn)	0.1	6.8	1.5	1.3	12.9
Bonus rate (%)	20.2	21.9	10.5	10.3	17.5
Return (% YTD converted to p.a.)	5.7	10.5	8.1	10.4	7.7
Bonds	100%	64%	64%	79%	70%
Equities	0%	22%	20%	8%	16%
Properties	0%	13%	12%	10%	11%
Interest rate derivatives	0%	1%	4%	3%	3%

\*Portfolios without bonus entitlement

### Q1-Q3 PERFORMANCE

The group's life insurance activities generated a profit before tax of DKK 78 million in 9M 2016, as compared with a DKK 49 million profit in 9M 2015. The performance was satisfactory.

In the first nine months of the year, total pension contributions declined by 8.9% to DKK 1,173 million due to a decline in single payments and payments into market-based schemes.

### CAPITALISATION

The total capital of Alm. Brand Liv og Pension A/S calculated in accordance with Solvency II amounted to DKK 1,243 million at 30 September 2016.

The company's capital requirement amounted to DKK 143 million. Accordingly, the company had excess liquidity of DKK 1,100 million, corresponding to a solvency coverage ratio of 869%. The company's capital requirement is very low due to the large bonus potentials at 30 September 2016.

Equity allocated to life insurance was DKK 833 million at 30 September 2016.

# Banking

DKKm	GROUP				
	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>FORWARD-LOOKING ACTIVITIES:</b>					
Net interest and fee income, Private	49	56	156	165	218
Trading income (excl. value adjustments)	31	44	104	126	181
Other income	53	44	157	126	172
<b>Total income</b>	<b>133</b>	<b>144</b>	<b>417</b>	<b>417</b>	<b>571</b>
Expenses	-88	-87	-267	-271	-352
Amortisation	-38	-31	-109	-88	-121
<b>Core earnings</b>	<b>7</b>	<b>26</b>	<b>41</b>	<b>58</b>	<b>98</b>
Value adjustments	9	-18	-6	-46	-59
Profit/loss from investments	0	0	0	0	0
<b>Profit/loss before impairment writedowns</b>	<b>16</b>	<b>8</b>	<b>35</b>	<b>12</b>	<b>39</b>
Writedowns	8	-5	12	-11	-21
<b>Profit/loss before tax, forward-looking activities</b>	<b>24</b>	<b>3</b>	<b>47</b>	<b>1</b>	<b>18</b>
<b>WINDING-UP ACTIVITIES:</b>					
Loss before impairment writedowns	15	-8	33	-35	-43
Writedowns	-24	-74	-36	-199	-306
<b>Loss before tax, winding-up activities</b>	<b>-9</b>	<b>-82</b>	<b>-3</b>	<b>-234</b>	<b>-349</b>
<b>Total profit/loss before tax and minority interests</b>	<b>15</b>	<b>-79</b>	<b>44</b>	<b>-233</b>	<b>-331</b>
Tax	-2	18	-9	54	82
<b>Consolidated profit/loss after tax</b>	<b>13</b>	<b>-61</b>	<b>35</b>	<b>-179</b>	<b>-249</b>
Loans and advances, forward-looking activities	2,787	3,457	2,787	3,457	2,981
Loans and advances, winding-up activities	1,126	1,565	1,126	1,565	1,317
Deposits	7,309	8,570	7,309	8,570	8,099
Shareholders'	1,530	1,565	1,530	1,565	1,495
Balance	9,694	12,276	9,694	12,276	10,416
Interest margin (%)	2.4	2.0	2.5	1.9	1.9
Income/cost ratio	1.10	0.61	1.10	0.61	0.59
Impairment ratio	0.1	0.9	0.1	2.4	3.9
Solvency ratio (%)	19.8	18.3	19.8	18.3	17.2
Return on equity	4.0	-20.5	3.9	-18.8	-20.4
Return on equity after tax (%)	3.4	-15.8	3.1	-14.4	-15.4

## Q3 2016 PERFORMANCE

In Q3 2016, the bank generated a pre-tax profit of DKK 15 million after impairment writedowns of DKK 16 million. The profit was DKK 94 million higher compared with the same period of last year. The bank's overall performance was better than expected, and the bank is reporting satisfactory developments.

The loss was composed of a profit of DKK 24 million on forward-looking activities and a loss of DKK 9 million on winding-up activities.

The interest margin for the banking group was 2.4% in Q3 2016, against 2.0% in Q3 2015, being favourably affected by a lower rate of interest paid to customers and a reduced volume of fixed-interest deposits. Moreover, the lower level of excess liquidity reduced the bond portfolio.

## FORWARD-LOOKING ACTIVITIES

The forward-looking activities posted a pre-tax profit of DKK 24 million in Q3 2016 (Q3 2015: DKK 3 million profit). The performance was better than expected.

Core earnings amounted to a profit of DKK 7 million, against a DKK 26 million profit in the same period of last year. The decline was due to the fact that a large part of the Q3 earnings of Financial Markets were attributable to value adjustments, which do not form part of core earnings. Moreover, Private reported lower income from funding of the bank's winding-up activities.

Over the past 12 months, the number of full-service customers has increased by 13%, and lending to the bank's private customers has grown by 6%. The portfolio of Totalkredit loans for which the bank acted as intermediary continues to develop favourably; the portfolio to-

talled DKK 7.2 billion at 30 September 2016, marking a year-on-year increase of DKK 1.1 billion, or 18%.

### Income

The bank's income from forward-looking activities amounted to DKK 133 million in Q3 2016, which was DKK 11 million less than in Q3 2015. The decline was primarily due to lower interest income resulting partly from a reduction of the bank's own portfolio of bonds and partly from lower bond yields.

### Costs

Costs were in line with expectations and amounted to DKK 88 million, which was on a par with Q3 2015.

### Value adjustments

Value adjustments produced a capital gain of DKK 9 million in Q3 2016, against a loss of DKK 18 million in Q3 2015.

Interest-related value adjustments including hedging produced a combined gain of DKK 5 million in Q3 2016, against a capital loss of DKK 26 million in Q3 2015. The bank's bond portfolio and interest-related contracts yielded a return of 2.0% p.a. in Q3, compared with a negative return of 0.7% p.a. in Q3 2015. The satisfactory positive trend in the bond return was driven by a credit spread contraction.

### Impairment writedowns

Reversals of impairment writedowns in Q3 2016 provided an income of DKK 8 million, against an expense of DKK 5 million in the year-earlier period. The impairment writedowns were favourably affected by income from debt previously written down.

### Business activities

#### Private

The private customer segment generated a pre-tax profit of DKK 7 million in Q3 2016, against a loss of DKK 1 million in Q3 2015.

#### Private

DKKm	Q3 2016	Q3 2015
Income	49	56
Expenses	-50	-52
<b>Profit/loss before impairment writedowns</b>	<b>-1</b>	<b>4</b>
Impairment writedowns	8	-5
<b>Profit/loss before tax</b>	<b>7</b>	<b>-1</b>

Income was down DKK 7 million year on year due to extraordinarily high fee income in the third quarter of 2015. Moreover, Private generated less income in 2016 than previously from procuring deposits for the bank's

overall funding because of the generally lower funding requirement.

Impairment writedowns were favourably affected by income from debt previously written off and amounted to an income of DKK 8 million in Q3 2016, which was better than expected.

In the third quarter, the bank experienced an inflow of new customers and an increase in the number of full-service customers, continuing the positive trend from the first half of the year. Lending to private customers grew by DKK 26 million in Q3 and by DKK 137 million year on year.

The positive trend from the first half of 2016 also continued in the portfolio of Totalkredit loans for which the bank acted as intermediary. The portfolio grew by DKK 235 million in Q3 2016 to DKK 7.2 billion. Overall, the portfolio increased by DKK 1.1 billion, or 18%, year on year.

### Financial Markets

The Financial Markets division generated a pre-tax profit of DKK 15 million in Q3 2016, which marked a year-on-year improvement of DKK 4 million. In spite of the decline in fee income relative to Q3 2015, Financial Markets reported a strong performance, which was mainly driven by a favourable trend in value adjustments.

Financial Markets saw an increase in the number of customers and in assets under management in the quarter.

#### Financial markets

DKKm	Q3 2016	Q3 2015
Income	31	34
Expenses	-23	-24
<b>Core earnings</b>	<b>8</b>	<b>10</b>
Value adjustments	7	1
<b>Profit/loss before tax</b>	<b>15</b>	<b>11</b>

### Leasing

The bank's leasing activities posted a pre-tax profit of DKK 4 million in Q3 2016, which was in line with Q3 2015.

Alm. Brand Leasing continues to experience an increase in the number of new car leases. The portfolio increased by DKK 32 million in Q3 2016, corresponding to an annual increase of 17%. In spite of mounting competition, Leasing was able to maintain stable growth.

Costs increased in the quarter, primarily due to higher repatriation costs and an increase in payroll costs.

The leasing portfolio amounted to DKK 740 million at 30 September 2016, which was DKK 123 million higher than at the year-earlier date.

### Leasing

DKKm	Q3 2016	Q3 2015
Income	53	43
Expenses	-11	-8
Depreciation and amortisation	-38	-31
<b>Profit/loss before tax</b>	<b>4</b>	<b>4</b>

### Other activities

Other activities, consisting primarily of Treasury, reported a pre-tax loss of DKK 2 million in Q3 2016, against a loss of DKK 11 million in Q3 2015.

The Q3 results were adversely affected by the combination of the persistently low level of interest rates and continued significant excess liquidity. On the other hand, value adjustments improved by DKK 21 million year on year, which was due to developments in Danish mortgage bonds.

### Other activities

DKKm	Q3 2016	Q3 2015
Income	0	11
Expenses	-4	-3
<b>Core earnings</b>	<b>-4</b>	<b>8</b>
Value adjustments	2	-19
<b>Profit/loss before tax</b>	<b>-2</b>	<b>-11</b>

## WINDING-UP ACTIVITIES, Q3

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

The winding-up activities reported a loss of DKK 9 million in Q3 2016, marking a significant improvement over the DKK 82 million loss reported in Q3 2015.

Writedowns amounted to DKK 24 million in Q3 2016 (Q3 2015: DKK 74 million). The improvement was driven by a lower level of impairment writedowns on mortgage deeds and agricultural exposures. The lower level of agricultural impairments was mainly due to the fact that Alm. Brand already in 2015 made impairment writedowns to factor in current prices of pork and dairy products.

The profit before impairment writedowns was DKK 15 million in Q3 2016, up DKK 23 million year on year. The improvement was mainly driven by the bank's improved funding situation. Moreover, the performance

was lifted by an extraordinary gain on equity investments of DKK 6 million.

The total credit exposure of the winding-up portfolio declined by DKK 68 million to DKK 2,583 million in Q3 2016. Adjusted for losses and writedowns, loans and advances were reduced by DKK 25 million, which was in line with expectations. For the year to date, the bank has reduced its lending portfolio by DKK 207 million adjusted for losses and writedowns.

In spite of improved settlement prices of pork and dairy products, the bank's winding-up activities remained adversely affected by continued unfavourable conditions for agriculture, while the commercial portfolio continued to benefit from healthy demand for prime location rental properties. Overall, the winding-up activities developed better than expected.

### Agriculture

The agricultural portfolio amounted to DKK 256 million at 30 September 2016. Excluding impairment writedowns, the portfolio grew by DKK 4 million in the third quarter.

Impairment writedowns amounted to DKK 14 million in Q3 2016, which was more than expected.

However, the level reflects the current difficult conditions in the agricultural sector.

Although conditions remained difficult, settlement prices of pork and dairy products developed favourably. The price of pork was unchanged from Q2 2016, while the settlement price of dairy products increased significantly.

### Commercial

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

Impairment writedowns amounted to DKK 1 million in Q3 2016. The level of impairment writedowns is developing in line with expectations.

The total portfolio amounted to DKK 674 million at 30 September 2016. Excluding impairment writedowns, the portfolio increased by DKK 17 million, primarily driven by funding in connection with the sale of property which the bank had repossessed.

### 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 196 million and was reduced in Q3 2016 by DKK 22 million adjusted for losses and writedowns. Impairment writedowns amounted to DKK 0 million in Q3 2016, against DKK 2 million in Q2 2016, mainly driven by a lower level of

mortgage deeds in arrears and the bank's successful efforts to get mortgage deed debtors to resume payments on mortgage deeds previously in arrears.

The credit exposure through the option agreement on mortgage deeds amounted to DKK 1,457 million at 30 September 2016. Credit-related capital losses on the option agreement amounted to DKK 8 million in Q3 2016, which was in line with expectations.

DKKm	Credit exposure after writedowns			Losses and writedowns					Impairment in % <sup>a)</sup>
	Year 2015	30 Sep. 2016	Share of portfolio in %	Year 2015	Q1 2016	Q2 2016	Q3 2016	Q1-Q3 2016	
Agriculture	308	256	23	274	9	10	14	33	12
Commercial	781	674	60	-41	-13	-6	1	-18	-3
Mortgage deeds	228	196	17	29	-8	2	1	-5	-2
<b>Total loans and advances</b>	<b>1,317</b>	<b>1,126</b>	<b>100</b>	<b>262</b>	<b>-12</b>	<b>6</b>	<b>16</b>	<b>10</b>	<b>1</b>
Mortgage deeds option agreement <sup>b)</sup>	1,588	1,457		44	11	7	8	26	2
<b>Winding-up activities</b>	<b>2,905</b>	<b>2,583</b>		<b>306</b>	<b>-1</b>	<b>13</b>	<b>24</b>	<b>36</b>	<b>1</b>

a) Losses and write-downs as a percentage of the average portfolio in Q1-Q3 2016. 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

## Q1-Q3 2016 PERFORMANCE

The bank generated a pre-tax profit of DKK 44 million in 9M 2016, against a loss of DKK 233 million in the year-earlier period.

The profit was composed of a profit of DKK 47 million on forward-looking activities and a loss of DKK 3 million on winding-up activities. Compared with the same period of last year, the forward-looking activities increased by DKK 46 million, whereas the winding-up activities improved by DKK 231 million.

The bank's total impairment writedowns amounted to DKK 24 million, against DKK 210 million in the same period of last year. The impairment writedowns are composed of a reversal of DKK 12 million relating to forward-looking activities and impairment writedowns of DKK 36 million relating to winding-up activities.

The interest margin for the banking group was 2.5% in 9M 2016, compared with 1.9% in 9M 2015.

Core earnings for the forward-looking activities amounted to a profit of DKK 41 million in 9M 2016, down DKK 17 million year on year.

Value adjustments in the forward-looking activities amounted to a capital loss of DKK 6 million in 9M 2016, which marked a year-on-year improvement of DKK 40 million.

For the forward-looking activities, costs amounted to DKK 267 million in 9M 2016 (9M 2015: DKK 271 million). The decline was primarily driven by the fact that no expenses were incurred for the Guarantee Fund for

Depositors and Investors in the first nine months of 2016.

## BALANCE SHEET

### Loans and advances

The bank's loans and advances totalled DKK 3.9 billion at 30 September 2016, against DKK 4.3 billion at 31 December 2015, corresponding to a reduction of DKK 386 million.

For the forward-looking activities, loans and advances, excluding intra-group lending, increased by DKK 49 million in Q3 2016, while loans and advances in the winding-up portfolio were reduced by DKK 17 million.

### Deposits

The bank had deposits of DKK 7.3 billion at 30 September 2016, against DKK 8.1 billion at 31 December 2015. The reduction was expected due to the maturity of fixed-rate deposits.

At 30 September 2016, floating-rate deposits represented 88% of total deposits, against 78% at 31 December 2015. The bank's strategy is to reduce fixed-rate deposits further in 2016.

### Liquidity

At 30 September 2016, the bank's liquidity amounted to DKK 3.7 billion, against DKK 4.2 billion at 31 December 2015. The bank expects to reduce its liquidity further in 2016.

The excess liquidity was DKK 2.7 billion, equivalent to 268% of the statutory requirement. The excess cover declined by DKK 370 million in Q3 2016.

At 30 September 2016, Alm. Brand Bank had a liquidity coverage ratio (LCR) of 248%.

### Capitalisation

The bank's total capital amounted to DKK 1.4 billion at 30 September 2016. The excess cover relative to the individual solvency need increased in the third quarter and is developing satisfactorily.

#### Capitalisation

DKKbn	Parent company	Group
Total capital	1.4	1.4
Risk exposure amount	6.9	7.1
Total capital ratio	20.9	19.8
Tier 1 capital ratio	20.9	19.8
Individual solvency need	13.7	13.6
Excess cover	7.2	6.2

#### Capital reservation for credit risk

The banking group's total capital reservation for credit risk amounted to DKK 2,618 million at 30 September 2016, against DKK 2,953 million at 31 December 2015. The capital reservation equalled 36% of the credit exposure, which was on a par with the level prevailing at 31 December 2015.

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 47% of the credit exposure.

At 30 September 2016, accumulated writedowns amounted to DKK 1,299 million, against DKK 1,440 million at 31 December 2015. Accumulated writedowns broke down as follows at 30 September 2016: DKK 300 million on the forward-looking portfolio and DKK 999 million on the winding-up portfolio. To this should be added credit-related value adjustments of mortgage deeds of DKK 649 million.

#### Capital reservation for credit risk

	30.09.2016				31.12.2015			
DKKm	Total assets	Credit exposure <sup>a)</sup>	Acc. impairment writedowns <sup>b)</sup>	Required capital	Total reservation	Reservation/credit exposure	Total reservation	Reservation/credit exposure
Forward-looking portfolio	2,704	3,004	300	340	640	21%	663	22%
Winding-up portfolio	1,126	4,223	1,648	332	1,980	47%	2,271	48%
<b>Total - excl. reverse transactions</b>	<b>3,830</b>	<b>7,227</b>	<b>1,948</b>	<b>672</b>	<b>2,620</b>	<b>36%</b>	<b>2,934</b>	<b>38%</b>
Reverse transactions including intercompany transactions	83	83	-	8	8	10%	19	6%
<b>Total group</b>	<b>3,913</b>	<b>7,310</b>	<b>1,948</b>	<b>680</b>	<b>2,628</b>	<b>36%</b>	<b>2,953</b>	<b>37%</b>

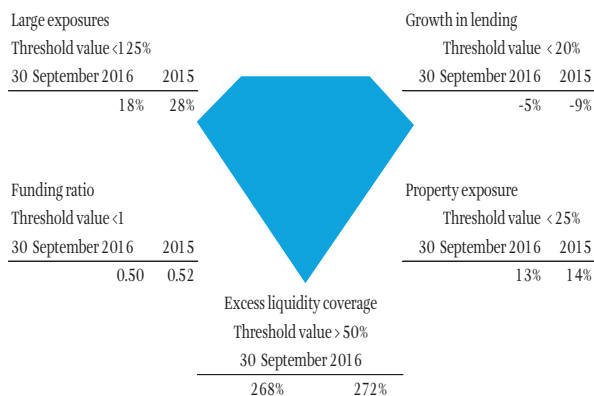
a) Gross lending, residual debt on mortgage deeds and credit exposure through the option agreement with Alm. Brand Forsikring.

b) Including value adjustments of mortgage deeds.

### SUPERVISORY DIAMOND

At 30 September 2016, 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.



# 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 nine months ended 30 September 2016.

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, 16 November 2016

*Søren Boe Mortensen*

Chief Executive Officer

## BOARD OF DIRECTORS

Copenhagen, 16 November 2016

*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 September 2016 and of the group’s cash flows for the nine months ended 30 September 2016.

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 September 2016	30 September 2015	Year 2015
<b>Assets</b>			
Owner-occupied properties	675	1,011	695
Deferred tax assets	239	466	405
Participating interests in joint ventures	0	12	12
Reinsurers' share of insurance contracts	256	245	242
Current tax assets	0	0	10
Other assets	2,243	2,045	1,466
Loans	5,361	6,708	5,643
Investment properties	825	606	939
Investment assets	25,097	25,219	25,055
Amounts due from credit institutions and central banks	317	268	323
Cash in hand and demand deposits	179	558	313
<b>Total assets</b>	<b>35,192</b>	<b>37,138</b>	<b>35,103</b>
<b>Liabilities and equity</b>			
Share capital	1,735	1,735	1,735
Reserves, retained profit etc.	3,376	3,341	2,909
Proposed dividend	0	0	521
<b>Consolidated shareholders' equity</b>	<b>5,111</b>	<b>5,076</b>	<b>5,165</b>
Subordinated debt	574	574	574
Provisions for insurance contracts	20,291	19,582	19,427
Other provisions	34	34	34
Issued bonds	0	5	5
Current tax liabilities	21	9	0
Other liabilities	1,374	1,243	1,189
Deposits	7,195	8,455	7,999
Payables to credit institutions and central banks	592	2,160	710
<b>Total liabilities and equity</b>	<b>35,192</b>	<b>37,138</b>	<b>35,103</b>

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
	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>Income</b>					
Premium income	1,540	1,528	4,683	4,756	6,372
Interest income etc.	192	216	629	711	915
Fee income etc.	25	34	99	97	128
Other income from investment activities	1	-1	-1	-6	1
Income associates	5	0	5	1	1
Other income	55	52	165	139	179
<b>Total income</b>	<b>1,818</b>	<b>1,829</b>	<b>5,580</b>	<b>5,698</b>	<b>7,596</b>
<b>Costs</b>					
Claims incurred	-943	-864	-2,989	-2,905	-4,121
Interest expenses	-28	-50	-101	-161	-206
Other cost from investment activities	-10	-14	-51	-49	-58
Impairment of loans, advances and receivables, etc.	-7	-66	-3	-173	-253
Acquisition and administrative costs	-350	-337	-1,065	-1,037	-1,377
<b>Total costs</b>	<b>-1,338</b>	<b>-1,331</b>	<b>-4,209</b>	<b>-4,325</b>	<b>-6,015</b>
Profit from business ceded	-50	-74	-187	-222	-249
Change in life insurance provisions	-170	-132	-667	-152	-121
Change in collective bonus potential	0	212	0	116	-45
Exchange rate adjustments	100	-303	414	-634	-499
Tax on pension investment returns	-26	19	-114	14	-22
<b>Profit/loss before tax</b>	<b>334</b>	<b>220</b>	<b>817</b>	<b>495</b>	<b>645</b>
Tax	-69	-51	-173	-99	-121
<b>Profit/loss after tax</b>	<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>
Earnings per share, DKK	1.6	1.0	3.9	2.5	3.1
Diluted earnings per share, DKK	1.6	1.0	3.8	2.5	3.1
<b>Comprehensive income</b>					
Profit for the period	265	169	644	396	524
<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	7
Transferred to collective bonus potential	0	0	0	0	-7
Tax on other comprehensive income	0	0	0	0	0
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>	<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>
<b>Proposed allocation of profit/loss:</b>					
Share attributable to Alm. Brand	265	169	644	396	524
<b>Comprehensive income</b>	<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>

## Statement of changes in equity

DKK m	Share capital	Contin- gency funds	Other provi- sions	Retained profit	Proposed dividend	Consoli- dated equity
<b>Shareholders equity, 1 January 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,628</b>	<b>87</b>	<b>4,847</b>
Change in accounting policies				-62		-62
<b>Adjusted shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,566</b>	<b>87</b>	<b>4,785</b>
<b>Changes in equity Q1-Q3 2015:</b>						
Profit/loss for the period				396		396
Total income	0	0	0	396	0	396
Dividend distributed				2	-87	-85
Purchase and sale of treasury shares				-24		-24
Share option scheme, issuance				4		4
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>378</b>	<b>0</b>	<b>291</b>
<b>Shareholders equity, 30 September 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,942</b>	<b>87</b>	<b>5,076</b>
<b>Adjusted shareholders' equity at 1 January 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,566</b>	<b>87</b>	<b>4,785</b>
<b>Changes in equity 2015:</b>						
Profit/loss for the year				524	0	524
Revaluation of owner-occupied properties				7		7
Transferred to collective bonus potential				-7		-7
Total income	0	0	0	524	0	524
Proposed dividend				-521	521	0
Dividend distributed				2	-87	-85
Share option scheme, issuance				5		5
Share option scheme, exercise				4		4
Purchase and sale of treasury shares				-68		-68
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-54</b>	<b>434</b>	<b>380</b>
<b>Shareholders equity, 31 December 2015</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,512</b>	<b>521</b>	<b>5,165</b>
<b>Shareholders equity, 1 January 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,512</b>	<b>521</b>	<b>5,165</b>
Change in accounting policies				4		4
<b>Adjusted shareholders' equity at 1 January 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,516</b>	<b>521</b>	<b>5,169</b>
<b>Changes in equity Q1-Q3 2016:</b>						
Profit/loss for the period				644		644
Total income	0	0	0	644	0	644
Dividend distributed				21	-521	-500
Share option scheme, issuance				1		1
Share option scheme, exercise				29		29
Purchase and sale of treasury shares				-232		-232
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>463</b>	<b>-521</b>	<b>-58</b>
<b>Shareholders equity, 30 September 2016</b>	<b>1,735</b>	<b>182</b>	<b>1,215</b>	<b>1,979</b>	<b>0</b>	<b>5,111</b>

## Capital target

DKKm	Total capital 30 September 2016
Equity	5,111
Tax asset	-279
Share buyback programme, outstanding	-152
Tier 2 capital	491
<b>Total Capital for the Group</b>	<b>5,171</b>
<hr/>	
DKKm	Capital target 30 September 2016
Non-life insurance (40% of gross premium income)	2,012
Life and Pension (8% of life insurance provisions)	922
Banking (16.7% of risk weighted assets) *	1,190
Alm. Brand A/S buffer, winding-up portfolio (13% of net lending)	337
Diversification effects	-300
<b>Consolidated capital target</b>	<b>4,161</b>
<i>*) Calculated as the individual solvency need at 30 September plus 3 percentage point but not less than 16%</i>	
<b>Statutory capital requirement for the group at 30 September 2016</b>	<b>2,469</b>
<b>Excess relative to statutory capital requirement</b>	<b>2,702</b>
<b>Excess relative to internal capital target</b>	<b>1,010</b>

## Cash flow statement

DKKm	Group		
	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>Cash flows from operating activities</b>			
Premiums received	4,811	4,988	6,257
Claims paid	-3,031	-3,118	-4,280
Interest receivable, dividends, etc.	522	665	880
Interest payable	-31	-79	-95
Payments concerning reinsurance	-221	-167	-157
Fee income received	105	110	155
Fee income paid	-6	-19	-27
Expences paid	-986	-1,278	-1,855
Tax on pension investment returns paid	-23	-167	-168
Other ordinary income received	165	139	179
Taxes paid/received	-1	-3	2
<b>Cash flows from operating activities</b>	<b>1,304</b>	<b>1,071</b>	<b>891</b>
<b>Change in investment placement</b>			
Acquisition of intangible assets, furniture, equipment, etc.	-94	-108	-147
Properties acquired or converted	115	4	-5
Sale/aquisition of equity investments	80	36	359
Sale/repayment of mortgage deeds and loans	140	-369	598
Sale/aquisition of bonds	-56	1,126	1,733
<b>Change in investment placement (net)</b>	<b>185</b>	<b>689</b>	<b>2,538</b>
<b>Change in financing</b>			
Sale/purchase of treasury shares	-217	-24	-64
Dividend distributed	-500	-87	-85
Subordinated debt	0	0	0
Share issue	16	4	5
Change in issued bonds	-5	-16	-16
Change in deposits	-804	-2,198	-2,569
Change in payables to credit institutions	-119	187	-1,262
Change in other liabilities	0	-3	-3
<b>Change in financing</b>	<b>-1,629</b>	<b>-2,137</b>	<b>-3,994</b>
<b>Net change in cash and cash equivalents</b>	<b>-140</b>	<b>-377</b>	<b>-565</b>
Cash and cash equivalents, beginning of period	636	1,201	1,201
<b>Cash and cash equivalents, end of period</b>	<b>496</b>	<b>824</b>	<b>636</b>

## Segment reporting

DKKm	Q1-Q3 2016					
	Non-life	Life	Bank	Other	Elimi- nation	Group
Premium income	3,759	924	0	0		4,683
Interest income etc.	191	250	185	5	-2	629
Fee income etc.	0	0	136	0	-37	99
Other investment income	1	44	0	0	-46	-1
Income associates	0	0	5	0	0	5
Other income	0	0	165	0		165
<b>Total income</b>	<b>3,951</b>	<b>1,218</b>	<b>491</b>	<b>5</b>	<b>-85</b>	<b>5,580</b>
Claims incurred	-2,260	-729	0	0		-2,989
Interest expenses	-59	-3	-32	-9	2	-101
Other investment expenses	-23	-30	0	-35	37	-51
Impairment of loans, advances and receivables, etc.	0	0	-3	0		-3
Acquisition and administrative expenses	-622	-69	-420	0	46	-1,065
<b>Total expenses</b>	<b>-2,964</b>	<b>-831</b>	<b>-455</b>	<b>-44</b>	<b>85</b>	<b>-4,209</b>
Result of business ceded	-185	-2	0	0		-187
Change in life insurance provisions	0	-667	0	0		-667
Exchange rate adjustments	-66	474	8	-2		414
Tax on pension investment returns	0	-114	0	0		-114
<b>Profit/loss before tax</b>	<b>736</b>	<b>78</b>	<b>44</b>	<b>-41</b>	<b>0</b>	<b>817</b>
Tax	-154	-19	-9	9		-173
<b>Profit/loss after tax</b>	<b>582</b>	<b>59</b>	<b>35</b>	<b>-32</b>	<b>0</b>	<b>644</b>

DKKm	Q1-Q3 2015					
	Non-life	Life	Bank	Other	Elimi- nation	Group
Premium income	3,786	970	0	0		4,756
Interest income etc.	211	271	229	2	-2	711
Fee income etc.	0	0	133	0	-36	97
Other investment income	1	40	0	0	-47	-6
Income associates	0	0	1	0	0	1
Other income	0	0	139	0		139
<b>Total income</b>	<b>3,998</b>	<b>1,281</b>	<b>502</b>	<b>2</b>	<b>-85</b>	<b>5,698</b>
Claims incurred	-2,155	-750	0	0		-2,905
Interest expenses	-72	-3	-79	-9	2	-161
Other investment expenses	-23	-32	0	-30	36	-49
Impairment of loans, advances and receivables, etc.	0	0	-173	0		-173
Acquisition and administrative expenses	-602	-64	-418	0	47	-1,037
<b>Total expenses</b>	<b>-2,852</b>	<b>-849</b>	<b>-670</b>	<b>-39</b>	<b>85</b>	<b>-4,325</b>
Result of business ceded	-218	-4	0	0		-222
Change in life insurance provisions	0	-152	0	0		-152
Change in collective bonus potential	0	116	0	0		116
Exchange rate adjustments	-206	-357	-65	-6		-634
Tax on pension investment returns	0	14	0	0		14
<b>Profit/loss before tax</b>	<b>722</b>	<b>49</b>	<b>-233</b>	<b>-43</b>	<b>0</b>	<b>495</b>
Tax	-169	6	54	10		-99
<b>Profit/loss after tax</b>	<b>553</b>	<b>55</b>	<b>-179</b>	<b>-33</b>	<b>0</b>	<b>396</b>

## Notes

DKKm	Group		
	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>Note 1 Own Shares</b>			
Carrying amount, beginning of year	0	0	0
Value adjustments	-140	-24	-65
Acquired during the period	567	24	69
Sold during the period	-427	0	-4
<b>Carrying amount, end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>
Nominal value, beginning of year	50	38	38
Acquired during the period	50	7	16
Sold during the period	-16	-3	-4
<b>Nominal value, end of period</b>	<b>84</b>	<b>42</b>	<b>50</b>
Holding number of shares (1,000), beginning of year	5,090	3,838	3,838
Additions, number of shares	5,045	684	1,611
Disposals, number of shares	-1,625	-286	-359
<b>Holding number of shares (1,000), end of period</b>	<b>8,510</b>	<b>4,236</b>	<b>5,090</b>
<b>Percentage of share capital, end of period</b>	<b>4.9%</b>	<b>2.4%</b>	<b>2.9%</b>

### Note 2 Contingent liabilities, guaranties and leasing

<b>Guarantee commitments</b>	<b>1,420</b>	<b>1,244</b>	<b>1,404</b>
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### Note 3 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 OMX 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 out-

come of these discussions, in the interim report for HL, 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.

#### New financial reporting rules as per 1 January 2016

The Danish FSA has issued a new Executive Order on financial reports of insurance companies and multi-employer occupational pension funds applicable as from 1 January 2016. In addition, amending executive order no. 688 of 10 June 2016 has been implemented. Apart from presentation changes, the new provisions also imply an amendment to the measurement of technical provisions and introduce new concepts such as risk margin and profit margin. We believe that the changed presentation and measurement methods are within the scope of the IFRS provisions. Moreover, a new yield curve for the discounting of insurance liabilities was introduced. Alm. Brand Liv og Pension A/S and Alm. Brand Forsikring A/S have obtained permission from the Danish

FSA to use volatility adjustment, which is an additional allowance in relation to the yield curve from the EIOPA that partly reduces liabilities and partly makes it easier to hedge yield curve fluctuations.

For Alm. Brand Liv og Pension A/S, the amended rules imply that technical provisions relating to the life insurance business overall are presented as life insurance provisions and profit margin on life insurances, respectively. The transition to the new provisions, including the implementation of the new yield curve, has reduced the level of provisions for portfolios without bonus entitlement by DKK 6 million. Other than that, no changes in total technical provisions relating to the life insurance business are expected.

Moreover, technical provisions relating to health and personal accident insurance are presented as premium provisions, profit margin on non-life insurance contracts, claims provisions and risk margin on non-life insurance contracts. As a result of the fact that premium provisions are only to be calculated for the period until the next possible premium adjustment date, and not as

previously until the date of expiry, the transition to the new rules implied a reduction of provisions relating to health and personal accident insurance in the amount of DKK 59 million.

For Alm. Brand Forsikring A/S, the amended rules imply that the technical provisions are presented as premium provisions, profit margin on non-life insurance contracts, claims provisions and risk margin on non-life insurance contracts. The transition to a new yield curve, the implementation of profit and risk margins on premium provisions and changes to the calculation of these as well as the implementation of a risk margin increased the provisioning level by DKK 146 million.

For the Alm. Brand Group as a whole, the implementation of the new Executive Order caused Alm. Brand A/S's shareholders' equity to decline by DKK 63 million at 1 January 2016.

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 4 Financial highlights and key ratios**

See the management's review.

## Balance sheet

DKK m	Note	Parent company		
		30 September 2016	30 September 2015	Year 2015
<b>Assets</b>				
Investment in group enterprises	1	4,769	4,951	5,089
<b>Total investments in group enterprises and associates</b>		<b>4,769</b>	<b>4,951</b>	<b>5,089</b>
Equity investments		1	1	1
Bonds		561	304	297
Other loans and advances		2	2	2
Deposits with credit institutions		0	0	22
Cash in hand and balances at call		0	11	0
<b>Total other financial investment assets</b>		<b>564</b>	<b>318</b>	<b>322</b>
<b>Total investment assets</b>		<b>5,333</b>	<b>5,269</b>	<b>5,411</b>
Receivables from group enterprises		0	8	10
Other receivables		38	34	45
<b>Total receivables</b>		<b>38</b>	<b>42</b>	<b>55</b>
Current tax assets		24	56	15
Deferred tax assets		12	15	0
<b>Total other assets</b>		<b>36</b>	<b>71</b>	<b>15</b>
Total prepayments		7	0	0
<b>Total assets</b>		<b>5,414</b>	<b>5,382</b>	<b>5,481</b>
<b>Liabilities and equity</b>				
Share capital		1,735	1,735	1,735
Other provisions		1,215	1,215	1,215
Proposed dividend		0	0	521
Retained earnings		2,161	2,126	1,694
<b>Total shareholders' equity</b>		<b>5,111</b>	<b>5,076</b>	<b>5,165</b>
Subordinated debt		250	250	250
<b>Subordinated debt</b>		<b>250</b>	<b>250</b>	<b>250</b>
Deferred tax liabilities		40	40	27
<b>Total provisions</b>		<b>40</b>	<b>40</b>	<b>27</b>
Payables to group enterprises		3	1	24
Issued bonds		0	5	5
Other payables		10	10	10
<b>Total payables</b>		<b>13</b>	<b>16</b>	<b>39</b>
<b>Total liabilities and equity</b>		<b>5,414</b>	<b>5,382</b>	<b>5,481</b>

## Income and comprehensive income statement

DKKm	Note	Parent company				
		Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>Income statement</b>						
Income from group enterprises	2	276	178	676	429	566
Value adjustments, bonds		-2	-1	-2	-6	-5
Interest income and dividends etc.		2	1	5	2	2
Interest expenses		-3	-3	-9	-9	-13
Administrative expenses related to investment activities		-11	-9	-35	-30	-39
<b>Profit/loss before tax</b>		<b>262</b>	<b>166</b>	<b>635</b>	<b>386</b>	<b>511</b>
Tax		3	3	9	10	13
<b>Profit/loss after tax</b>		<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>
<b>Comprehensive income</b>						
Profit/loss for the year		265	169	644	396	524
<b>Comprehensive income</b>		<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>
<b>Proposed allocation of loss:</b>						
Proposed dividend		0	0	0	-87	521
Retained earnings		265	169	644	483	3
<b>Comprehensive income</b>		<b>265</b>	<b>169</b>	<b>644</b>	<b>396</b>	<b>524</b>

Accounting policies

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## Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
<b>Shareholders' equity at 1 January 2015</b>	1,735	1,215	1,810	87	4,847
Change in accounting policies			-62		-62
<b>Adjusted shareholders' equity at 1 January 2015</b>	1,735	1,215	1,748	87	4,785
<b>Changes in equity Q1-Q3 2015:</b>					
Profit/loss for the period			396	0	396
Comprehensive income			396	0	396
Dividend distributed			2	-87	-85
Purchase and sale of treasury shares			-24		-24
Share option scheme			4		4
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>378</b>	<b>-87</b>	<b>291</b>
<b>Shareholders' equity at 30 September 2015</b>	1,735	1,215	2,126	0	5,076
<b>Adjusted shareholders' equity at 1 January 2015</b>	1,735	1,215	1,748	87	4,785
<b>Changes in equity 2015:</b>					
Profit/loss for the year			524	0	524
Comprehensive income			524	0	524
Proposed dividend			-521	521	0
Dividende distributed			2	-87	-85
Purchase and sale of treasury shares			-68		-68
Share option scheme, issuance			5		5
Share option scheme, exercise			4		4
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>-54</b>	<b>434</b>	<b>380</b>
<b>Shareholders' equity at 31 December 2015</b>	1,735	1,215	1,694	521	5,165
<b>Shareholders' equity at 1 January 2016</b>	1,735	1,215	1,694	521	5,165
Change in accounting policies			4		4
<b>Adjusted shareholders' equity at 1 January 2016</b>	1,735	1,215	1,698	521	5,169
<b>Changes in equity Q1-Q3 2016:</b>					
Profit/loss for the period			644	0	644
Comprehensive income			644		644
Dividend distributed			21	-521	-500
Share option scheme, issuance			1		1
Share option scheme, exercise			29		29
Purchase and sale of treasury shares			-232		-232
<b>Changes in equity</b>	<b>0</b>	<b>0</b>	<b>463</b>	<b>-521</b>	<b>-58</b>
<b>Shareholders' equity at 30 September 2016</b>	1,735	1,215	2,161	0	5,111

## Notes

DKKm	30 September 2016	30 September 2015	Year 2015
<b>Note 1 Investment in group enterprises</b>			
Cost beginning of year	8,790	8,790	8,790
Cost, year-end	8,790	8,790	8,790
Revaluation and impairment beginning of year	-3,701	-3,806	-3,806
Change in accounting policies	4	-62	-62
Dividend received	-1,000	-400	-400
Profit/loss for the period	676	429	566
Revaluation and impairment of treasury shares in subsidiaries	0	0	1
Revaluation and impairment, year-end	-4,021	-3,839	-3,701
<b>Investment in group enterprises, year-end</b>	<b>4,769</b>	<b>4,951</b>	<b>5,089</b>
Specification of carrying amount:			
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,530	1,564	1,495
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	3,239	3,387	3,594
Investment in group enterprises, year-end	4,769	4,951	5,089

DKKm	Q1-Q3 2016	Q1-Q3 2015	Year 2015
<b>Note 2 Income from group enterprises</b>			
Alm. Brand Bank A/S	35	-179	-249
Alm. Brand Forsikring A/S	641	608	815
<b>Total income from group enterprises</b>	<b>676</b>	<b>429</b>	<b>566</b>
<i>The results are recognised in the following items:</i>			
Income from group enterprises	676	429	566
Total income from group enterprises	676	429	566

### 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.

Apart from the description in the group's accounting policies on pages 26 and 27, the accounting policies are consistent with those applied in the 2015 Annual Report.

The interim report is unaudited.