

# ALM. BRAND A/S

annual report 2010





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# COMPANY INFORMATION

## BOARD OF DIRECTORS



\*Elected by the principal shareholder

**Arne Nielsen**

Born 1944  
since 2009

**Susanne Larsen**

Employee  
representative  
Born 1964  
since 2006

**Jørgen H. Mikkelsen\***

Chairman  
Born 1954  
since 1994

**Boris N. Kjeldsen\***

Deputy Chairman  
Born 1959  
since 2003

**Helle Låsby Frederiksen**

Employee  
representative  
Born 1962  
since 2010



Chief Executive

**Søren Boe Mortensen**

Joined Alm. Brand in 1987  
Appointed to the Management  
Board in 1998  
Chief Executive since  
December 2001  
Born 1955

## AUDITORS

Deloitte  
Statsautoriseret Revisionsaktieselskab

## REGISTRATION

Alm. Brand A/S  
Company reg. (CVR) no. 77333517

## ADDRESS

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Fax: +45 35 47 35 47  
Internet: [www.almbrand.dk](http://www.almbrand.dk)  
E-mail: [almbrand@almbrand.dk](mailto:almbrand@almbrand.dk)



**Tage Benjaminsen**  
Born 1945  
since 2010

**Boris N. Kjeldsen\***  
Deputy Chairman  
Born 1959  
since 2003

**Per Frandsen\***  
Born 1952  
since 2009

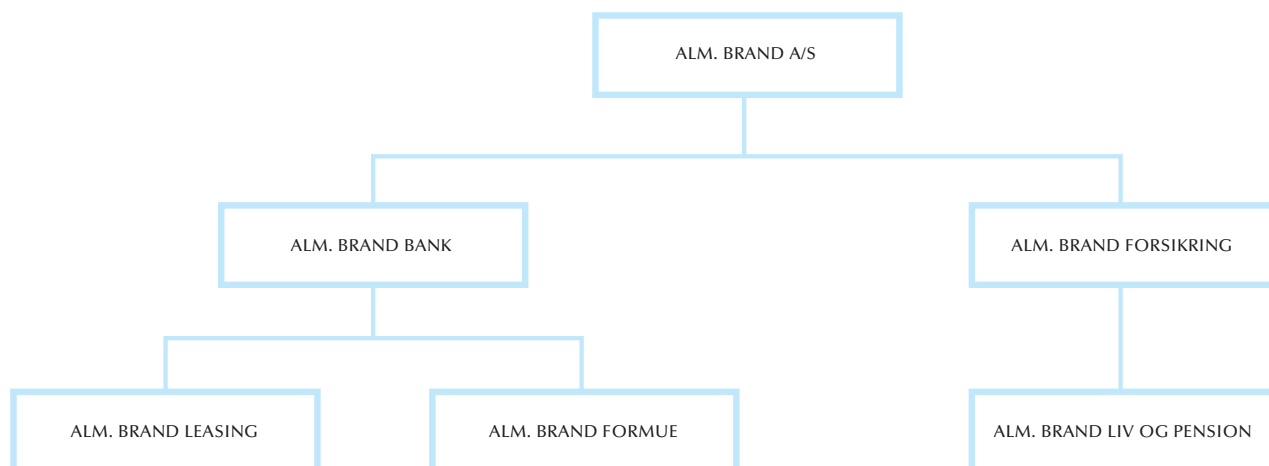
**Henrik Christensen\***  
Born 1950  
since 2010

**Jan Skytte Pedersen\***  
Born 1956  
since 2010

**Henning Kaffka**  
Employee  
representative  
Born 1965  
since 2010

## GROUP STRUCTURE

The Alm. Brand A/S Group's principal activity is its non-life insurance operations, which are supported by the business areas life insurance and pension and banking.



# THE ALM. BRAND A/S GROUP ACTIVITIES AND IDEA

## ACTIVITIES

Alm. Brand A/S is a Danish financial services group consisting of a listed holding company and a number of commercial subsidiaries. The group's activities comprise non-life insurance, banking and life and pension insurance. In addition, the group operates an investment business as a natural part of its ordinary operations.

## IDEA AND VISION

Alm. Brand aims to be a one-stop-shop covering the financial needs of its customers and offering high-quality products and services. Alm. Brand's principal activity is non-life insurance. Life and pension insurance and banking support the principal activity by offering attractive life insurance, pension and banking products to the group's non-life insurance customers.

Based on the vision "We take care of our customers", the group strives to ensure a high degree of customer satisfaction. Combined with significant premium savings offered to customers who consolidate all their financial business with the group, this approach ensures a high degree of customer loyalty. This is crucial to the group's profitability.

## CUSTOMERS

The group's core customers within non-life insurance and life and pension insurance are private customers, agricultural customers as well as small and medium-sized businesses. The bank, on the other hand, is exclusively focused on private customers and Asset Management and Markets activities.

## SHAREHOLDERS

Alm. Brand aims to create long-term value for its shareholders through the profitable development of its non-life insurance activities. The aim is supported by targeted and efficient product deliveries from the other business areas.

## DISTRIBUTION

Alm. Brand distributes its products through a number of shared distribution channels across all business areas. This approach supports the overall service provided to customers.

The group is divided into five geographical regions, each headed by a regional manager who has overall sales and service responsibility. Distribution is effected through 26 branch offices and stores across Denmark and through other channels. Sales and service are further supported by centralised customer service centres and through the group's website. The overall sales force counts some 370 employees, including 275 insurance agents.

The group's sales are supported by new sales and IT systems, which are expected to give the group a competitive edge in the future.

The group markets its products and services for each individual business area and for the group as a whole, thereby achieving economies of scale and increased brand awareness.

## INVESTMENTS

The Alm. Brand Group pursues a conservative investment strategy in all three business areas. Accordingly, the group has placed the majority of its investments in Danish government and mortgage bonds with maturities adjusted to the liabilities. The group has concluded an asset management agreement with Alm. Brand Bank A/S.

# FINANCIAL HIGHLIGHTS AND KEY RATIOS FOR ALM. BRAND A/S

	DKKm	2010	2009	2008	2007	2006
<b>GROUP</b>	<b>Income</b>					
	Non-life insurance	4,762	4,714	4,769	4,578	4,279
	Banking	1,132	1,254	1,718	1,444	980
	Life insurance	719	710	747	750	736
	Other activities	–	10	14	17	11
	Investments etc.	728	883	928	932	849
	<b>Total income</b>	<b>7,341</b>	<b>7,571</b>	<b>8,176</b>	<b>7,721</b>	<b>6,855</b>
	<b>Profit/loss excluding minority interests</b>					
	Non-life insurance	207	287	262	647	724
	Banking	– 869	– 1,758	– 532	196	167
	Life insurance	181	139	43	104	81
	Other activities	–	– 11	286	71	60
	Other activities	– 55	7	– 15	– 32	– 26
	<b>Profit before tax</b>	<b>– 536</b>	<b>– 1,336</b>	<b>44</b>	<b>986</b>	<b>1,006</b>
	Tax	135	336	– 73	– 281	– 195
	<b>Profit/loss after tax</b>	<b>– 401</b>	<b>– 1,000</b>	<b>– 29</b>	<b>705</b>	<b>811</b>
	<b>Consolidated profit/loss</b>					
	<b>Consolidated profit/loss before tax</b>	<b>– 539</b>	<b>– 1,416</b>	<b>– 164</b>	<b>980</b>	<b>1,037</b>
	Tax	135	336	– 53	– 266	– 190
	<b>Consolidated profit/loss after tax</b>	<b>– 404</b>	<b>– 1,080</b>	<b>– 217</b>	<b>714</b>	<b>847</b>
	Total provisions for insurance contracts	18,413	17,894	17,714	18,331	18,718
	Consolidated shareholders' equity	4,758	3,694	4,800	5,446	5,432
	Share attributable to minority interests	160	199	282	504	520
	Total assets	48,149	47,498	45,777	47,886	42,992
	Average no. of employees	1,725	1,859	1,898	1,862	1,718
	Return on equity before tax	– 16.4%	– 33.4%	0.9%	18.0%	20.0%
	Return on equity after tax	– 12.3%	– 25.2%	– 0.6%	13.1%	16.3%
<b>PARENT COMPANY</b>	<b>Profit/loss before tax</b>	<b>– 414</b>	<b>– 1,000</b>	<b>– 36</b>	<b>694</b>	<b>783</b>
	Tax	14	– 1	9	12	24
	<b>Profit/loss after tax</b>	<b>– 400</b>	<b>– 1,001</b>	<b>– 27</b>	<b>706</b>	<b>807</b>
	Total assets	4,984	4,401	4,776	5,065	5,531
	Total investment assets	4,919	4,337	4,701	4,991	5,459
	Share capital	1,735	1,388	1,476	1,668	1,788
	Shareholders' equity	4,590	3,486	4,510	4,932	4,901
	Payables	98	620	220	87	579
	Return on equity before tax*	– 16.4%	– 33.5%	1.0%	20.1%	21.5%
	Return on equity after tax*	– 12.3%	– 25.2%	– 0.6%	14.3%	17.3%
<b>KEY RATIOS</b>	Earnings per share	– 24	– 59	– 2	35	37
	Diluted earnings per share	– 24	– 59	– 2	35	37
	Net asset value per share	27	207	264	260	234
	Share price at 31 December	14.2	91	69	286	400
	Price/NAV	0.53	0.44	0.26	1.10	1.71
	No. of shares at year-end (in thousands)	173,079	16,835	17,073	18,966	20,929
	Average no. of shares (in thousands)	16,882	16,828	17,971	20,182	21,644
	No. of shares bought back (in thousands)**			2,133	1,981	1,452
	Average price of shares bought back, DKK**			186	328	344
	Total pay-out ratio**			30%	14%	6%

\* Return on equity in the parent company is calculated before tax in subsidiaries.

\*\* Measured at the expiry date of the share buyback programme at 31 January.

Alm. Brand A/S completed a capital increase on 30 December 2010. Key ratios for 2006 to 2009 have not been restated.

# ALM. BRAND A/S 2010

## PERFORMANCE

The Alm. Brand Group incurred a loss of DKK 536 million before tax in 2010.

Excluding losses and writedowns in the bank, the group posted a profit of DKK 372 million, slightly more than DKK 70 million ahead of the most recent profit guidance released in November 2010.

The improved performance before losses and writedowns was attributable to a strong claims experience, lower costs and a stronger than expected investment return. On the other hand, rising short term interest rates resulted in capital losses on the bank's bond portfolio.

The highly unsatisfactory performance after losses and writedowns was the result of significant impairment writedowns on the bank's portfolio of loans and advances. Loans for mortgage deeds, particularly commercial mortgage deeds, were the main cause of the impairment writedowns. Accordingly, the bank reported aggregate credit impairments of DKK 908 million in 2010.

In 2010, the bank's strategy was further sharpened to the effect that, in the future, the bank will focus exclusively on increasing its private customer, leasing and Asset Management and Markets activities, all areas in which the bank has not incurred any significant losses. Other activities are being wound up.

The non-life insurance business continues to develop positively with respect to the underlying business and major claims and, moreover, costs have declined significantly. This is proof that the claims mitigation measures, premium increases and cost cuts implemented by the group over the past couple of years are beginning to take effect. The performance was adversely affected by high expenses for water damage and, especially, snow load claims.

Life insurance activities developed very favourably in 2010. The bonus potential thus rose to DKK 517 million and the return on policyholders' investment portfolios was 8.1%. The

positive investment return had the effect that the full amount of the shadow account could be taken to income.

The group continued to cut costs in all business areas in 2010. As a result, the group's overall costs fell by DKK 117 million, or 7.6%, from 2009 to 2010.

## CAPITAL AND LIQUIDITY

In 2010, Alm. Brand A/S completed a rights issue, whereby the number of shares was increased tenfold. Following the rights issue, the company had a total of 173,500,000 shares, corresponding to a share capital of DKK 1,735 million. The rights issue was fully underwritten. The rights issue was successfully completed in an oversubscribed offering.

At 30 June 2010, Alm. Brand Bank A/S issued state-guaranteed bonds in total amount of DKK 6 billion. The issue was successfully completed.

## BUSINESS

Non-life insurance operations generated a profit of DKK 207 million. The performance should be seen in the context of weather-related expenses, including expenses for snow load and water damage claims, of almost DKK 400 million in aggregate, against expected annual weather-related expenses of DKK 180 million. Accordingly, the nevertheless satisfactory performance was driven mainly by the positive trend in the underlying business and fewer major claims. Moreover, the expense ratio declined substantially. The claims mitigation measures, premium increases, cost cuts and efficiency improvements implemented over the past couple of years are clearly beginning to have a positive impact on the company's performance.

The bank incurred a loss of DKK 869 million, which was highly unsatisfactory. The performance was the result of significant impairment writedowns on loans and credit losses on mortgage deeds in the amount of DKK 908 million. The performance was favourably affected by an increasing customer interest margin but adversely affected by rising interest rates



and resulting capital losses on interest-bearing assets. Total loans and advances declined by DKK 2.3 billion to DKK 12.7 billion in 2010. Taking into account developments in losses and writedowns, lending dropped by DKK 1.4 billion.

The group's life insurance operations generated a highly satisfactory profit of DKK 181 million. Moreover, the company strengthened the collective bonus potential to a total of DKK 517 million. The performance was attributable to the satisfactory investment return, which had the effect that the full amount of the shadow account of DKK 57 million could be taken to income. Although premium income developed positively, recording growth at the rate of 3.3%, the performance was somewhat short of expectations as a result of the economic recession in Denmark.

The group's other activities, including corporate expenses, posted a loss of DKK 55 million.

## GROUP

The return on equity was minus 16% before tax. Earnings per share were negative at DKK 24, and the share price was DKK 14 at 31 December 2010, corresponding to 53% of the net asset value of 27.

The group's total income amounted to DKK 7.3 billion.

## OUTLOOK

The group expects to generate an overall profit before losses, writedowns and tax of DKK 375 million in 2011. After losses and writedowns in the bank, the group expects to generate a small profit.

Non-life operations are expected to generate a pre-tax profit of DKK 300 million. The combined ratio is expected to be 95.

Banking operations are expected to generate a profit of DKK 45 million before losses and writedowns. As a result of the general economic conditions in Denmark and internationally, the forecast level of impairment writedowns on loans

and credit losses on mortgage deeds remains subject to significant uncertainty. The guidance for the bank's financial results in 2011 is therefore only provided before losses and writedowns. As a result of Amagerbanken's bankruptcy, the forecast includes a contribution into the Danish Depositors' Guarantee Scheme of DKK 25 million. The amount is not yet known, but Alm. Brand Bank is required to contribute 1% of the overall amount.

Life insurance operations are expected to generate a profit of DKK 70 million.

Other activities are expected to record an overall loss of DKK 40 million.

The group's total income is expected to reach DKK 7 billion.

No material events have occurred during the period from 1 January 2011 until the date the financial statements were signed which would be of material importance for the financial statements.

Dkkm	Outlook 2011*)
Non-life insurance	300
Banking	45
Life insurance	70
Other activities	- 40
<b>Profit before tax</b>	<b>375</b>

\*) Before tax and excluding minority interests and before writedowns in the bank.



## SUSTAINABLE FOUNDATION FOR VALUE CREATION

### **Challenges sharpened our strategy**

2010 was a year marked by business challenges and strategic initiatives, affecting Alm. Brand's development and results in a number of different ways. In the early months of the year, the severe winter weather impacted our non-life insurance business, and we emerged from the first quarter with a combined ratio of 125. In other words, our claims expenses were significantly higher than our premium income. We had to work hard to make up for this during the remainder of the year. Concurrently, the bank continued to record severe losses and writedowns on the part of the portfolio being wound up.

As a result of these and other events, we decided in the spring of 2010 to sharpen our strategic framework and to implement a number of wide-ranging initiatives to establish a sustainable foundation for Alm. Brand's creation of long-term shareholder value.

### **Strong core business performance**

Our core business, non-life insurance, is a well-functioning and competitive business. Over the years, we have documented this by generating strong earnings. However, during the last two years our operations have been characterised by rising claims payments due, among other things, to higher repair and labour costs and many weather-related and burglary claims.

Our primary challenge in recent years has therefore been to balance our premium income and the risks involved in the individual portfolios. In addition, we have made dedicated efforts to lower our expense ratio in order to rank it alongside the most competitive in the industry. We therefore defined three primary goals: to lower our expense ratio through efficiency enhancements and improved business procedures; to reduce insurance risks and to ensure that they are to a greater extent reflected in the prices we offer our customers; and finally to adjust our pricing structure in order to align it with recent developments in claims payments.

We have made a dedicated effort to achieve these goals. For example, we continued to implement significant cost reductions in 2010 through a number of efficiency enhancements

and improved business procedures, but also through redundancies. For several years, we have invested in strengthening our IT platform and improving our processes, and we are now beginning to feel the effects of these investments. We have also raised our prices, adjusted our pricing structure and adapted our insurance terms based on an objective that all products must be profitable. Moreover, we can see that our average claims expenses have stabilised.

Overall, this contributed to improving our underlying business quarter by quarter and helped us emerge from 2010 in significantly better shape than we had anticipated in terms of our non-life insurance business. This promises well for the future and strengthens our confidence that we are on the right track.

### **Strong pension business**

Our pension business has emerged strongly from the years of economic crisis, and our conservative investment policy has secured steady returns. We generated high returns in 2010 due to favourable capital markets. As a result, we were able to take the full amount of the shadow account to income and significantly strengthen our reserves, i.e. the collective bonus potential. In our strategy for the future, we aim to continue our activities and to retain our focus on low costs, effective risk management and steady returns on the customer investment portfolio.

### **Trimming of our banking business**

The greatest challenge for Alm. Brand in terms of business is the negative performance of our banking operations over the past few years. The exposure to the property and mortgage deed markets in particular has taken a heavy toll on the bank in the form of very large losses and writedowns – also in 2010. It is obviously unacceptable that the positive results generated by the group as a whole are eliminated because we have underestimated the risk and effect of a financial crisis. We have therefore fundamentally changed the strategy for the bank and have begun to wind up the loss-making activities. Going forward, the bank will focus primarily on serving our non-life insurance customers in the private customer segment. In addition, the bank will focus on its leasing and Asset Management and Markets activities, which hold a

potential for creating synergies in relation to the investment activities of the rest of the group.

Managing the bank's losses and writedowns and a targeted reduction of the bank's risks topped the agenda of the bank's executive management in 2010, and these focal points will remain a top priority in the years ahead. It is very important to us that the portfolios we have chosen to discontinue are wound up in a controlled and effective process but also in a manner that will not pull the rug from under our customers. In our opinion, doing so would neither benefit our shareholders, our customers nor the general economy.

As the market stands today, we have to acknowledge that we are facing a lengthy winding-up process. Trends in economic and market conditions, including developments in the property and agricultural markets, etc., may impact the winding-up horizon as well as the amount of future impairment writedowns. Accordingly, we are affected by a number of significant factors and assumptions beyond our control. But I would like to emphasise that, for the factors that are within our control, mitigating risk is at the centre of our focus. Moreover, it is crucial for me that going forward the bank will be able to generate a reasonable return on the invested equity.

#### **Successful capital injection**

As a result of major losses and writedowns recorded in the bank and generally increasing capital base requirements for financial businesses, we realised in June that Alm. Brand was in need of a capital injection. This would give us stability to achieve our strategy and thereby to create a foundation for future value creation.

Six months passed from announcing our intentions to the market until we were able to go public with the rights issue on 3 December. This created a vacuum around Alm. Brand's shares in the intervening period, as the market awaited the final announcement. Our share price declined, and we generally experienced a great deal of attention on our challenges – both real and imagined.

At the same time, we were still waiting for conclusive evidence that our strategic initiatives would produce positive results. We were therefore extremely pleased with the investor interest and support we experienced when the prospectus was published. The rights issue was oversubscribed, several new, large investors chose to participate, and there was no need to draw on the underwriters.


The capital increase produced a calmer atmosphere and increased the financial scope to develop our business in line with the strategy defined. We can see that the initiatives are working and that the underlying business is developing strongly in our strategic focus areas. There is still a lot for us to do, and we will continue to systematically optimise our business in order to further strengthen our performance in 2011.

#### **Profit in 2011**

We expect our non-life insurance operations to continue the positive performance in the upcoming years, as the many strategic initiatives take full effect. We also expect our pension business to generate positive results, although not continuing at the extraordinarily high level seen in 2010. The bank remains our greatest challenge, and it is extremely sensitive to market fluctuations. We continue our dedicated efforts to reduce risk, and we expect losses and writedowns to be significantly lower in 2011 than they were in 2010. Accordingly, we expect to record a small consolidated profit in 2011 – including losses and writedowns in the bank.

We therefore look ahead to the coming year with cautious optimism. We will dedicate our efforts to delivering on our financial forecasts and thereby thank our shareholders for the confidence they have shown us. We are well underway. And based on the support I get from our employees, who have made an impressive and committed effort, I welcome the challenges and business opportunities waiting for us in 2011.

Yours Sincerely



Søren Boe Mortensen  
Chief Executive

# NON-LIFE INSURANCE

Non-life insurance is the group's core business, and Alm. Brand Forsikring is the fourth largest non-life insurer in the Danish market with annual gross premium income of DKK 4.7 billion and a market share of approximately 10%. The non-life insurance company focuses exclusively on the Danish market with a special focus on the following segments: Private customers, small and medium-sized businesses, property owners and property administrators, agricultural customers and the public sector. The group has deliberately opted not to focus on major corporate and marine customers, as competition for these customers increasingly takes place at the pan-Nordic level.

The group offers non-life insurance products to the selected segments through several different distribution channels. The private customer portfolio comprises approximately 400,000 customers, 200,000 of whom are considered to be full-service customers who have largely all their insurances with the company. The commercial and agricultural customer portfolio comprises approximately 100,000 customers.

## MARKET

### Private customers

The market remains very competitive. However, recent years' rising claims expenses have led to price increases – also for existing customers. This has resulted in a general increase in the level of prices throughout the insurance sector.

In late 2010, there was a certain amount of price competition in the market for motor insurances written through car dealers. However, this has not affected the market to any significant extent.

Alm. Brand is largely assessed to have retained its market share in 2010.

### Commercial customers

The target group of the company's commercial segment comprises public sector customers and small and medium-sized customers, including agricultural customers, i.e. hobby farmers and full-time commercial farmers, specialist farmers and large estates and manors.

### *Public sector customers and small and medium-sized businesses*

The financial crisis had an adverse impact on the market for small and medium-sized businesses in 2010, and rising unemployment caused the workers' compensation market to contract. Corporate downsizing and business closures serve to reduce the number of consequential loss, liability and motor insurance policies written. Finally, a sustained low level of construction activity is affecting the sale of contractors' insurances. The competitive situation is further sharpened by the fact that several small insurance companies now offer commercial insurance to the segments that make up Alm. Brand's primary business platform.

Despite the mounting competition, a number of insurers, including Alm. Brand, raised their premiums in 2010 in response to rising claims expenses.

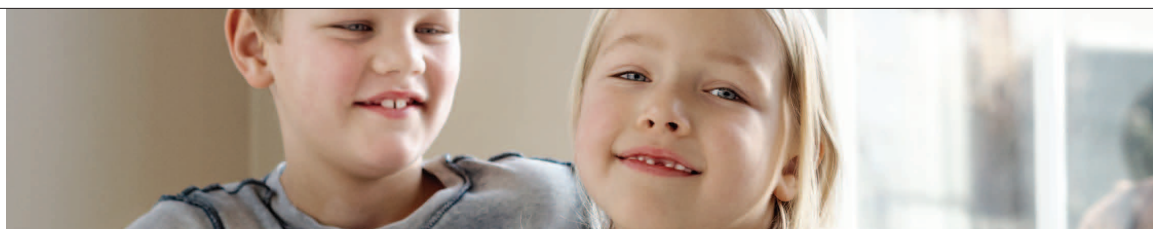
Alm. Brand's market share within commercial insurance grew slightly in 2010.

### *Agricultural customers*

In 2010, the Danish agricultural sector was affected by the general economic downturn, which was further exacerbated by a historic earnings crisis in the agricultural sector. As a result, investments in production expansion, primarily stables and other buildings, came to a virtual standstill in 2010. Sales of agricultural properties declined significantly relative to recent years, and a number of the transactions completed were family-related sales, enforced sales or sales in connection with generational change.

There is a tendency towards farmers increasingly using insurance brokers to handle their insurances.

Alm. Brand has a leading position as an insurance provider to Danish agriculture with an estimated market share of more than 30%. Alm. Brand is assessed to have retained its market share in 2010.



## STRATEGY

### Customers

The company's vision is to develop, provide advice with respect to, sell and manage profitable high-quality insurance solutions for its customers.

The primary target group of the private customer segment is individuals aged 30 years or more, who are resident in Denmark and own their own home and/or a car.

The group aims for all customers to place as much of their business as possible with Alm. Brand and for all customers to remain loyal and satisfied customers.

### Distribution

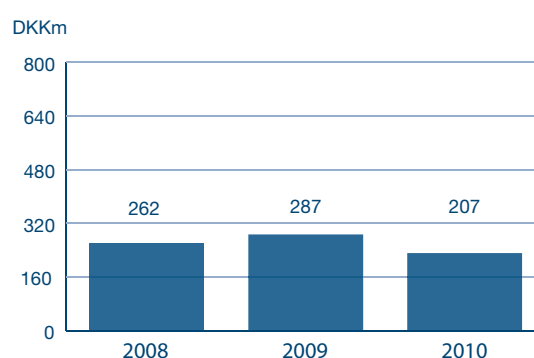
The non-life insurance company distributes its products through a number of shared distribution channels across all business areas. This approach supports the cross-selling strategy and the overall service provided to customers.

The non-life insurance company is divided into five geographical regions, each headed by a regional manager who has overall sales and service responsibility. Distribution to the private customer segment primarily takes place through insurance agents and through 15 sales centres and five customer service centres distributed across Denmark and supported through the group's website. Commercial and agricultural customers are mainly served by insurance agents and insurance brokers through a centralised broker department. The overall sales force counts some 370 employees, including approximately 275 insurance agents.

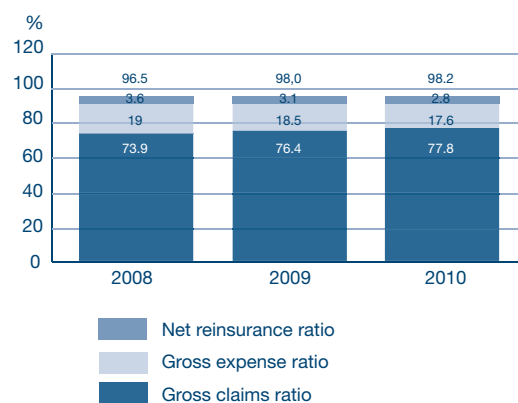
### Strategy

The overall strategy for the non-life insurance company is consolidation followed by profitable growth. This will take place by offering the customers up-to-date and competitive products, a high level of service and accessibility and efficient and fair claims handling.

## PROFIT BEFORE TAX



## COMBINED RATIO





A number of intermediate goals have been defined, which must be completed with a view to implementing the overall strategy for the business area. These intermediate goals first and foremost include:

- Reduction of the expense ratio
- Reduction of risk and amendment of terms
- Premium increases relative to risk

#### *Reduction of the expense ratio*

Alm. Brand aims for an expense ratio in line with that of its strongest competitors in the Danish market. In the years from 2006 to 2010, the expense ratio fell from 20.5 to 17.6.

In August 2010, the group implemented a number of staff reductions and branch office closures, which are expected to further lower the expense ratio to below 17 by the end of 2012. In addition to staff reductions, the group is working to reduce the other costs and enhance the efficiency of its business procedures.

With a view to reducing costs, ongoing assessments are made as to which distribution channels are most efficient. Against this backdrop, the group resolved to close down sales of non-life insurance products through its bank branches with effect from 31 August 2010. This decision was motivated partly by the fact that branches generally constitute an expensive type of distribution and partly by more and more customers wanting to be served by the insurance agents of the non-life insurance company, the customer service centres or to wholly or partly use the self-service options provided through the group's website. In mid-August 2010, Alm. Brand therefore launched a new e-branch concept, providing private customers with more access options for requesting service or purchasing products.

The e-branch concept is one of several initiatives taken by the non-life insurance company to reduce costs and enhance the level of service provided to its customers through the use of IT solutions. Over the past nine years, Alm. Brand has also made a targeted effort to replace all non-life insurance systems, including sales and administrative systems for all customer segments. From a customer point of view, the new system will speed up case processing and policy issuance. For Alm. Brand, the new system serves to organise all non-life insurance systems in one single, efficient system and to reduce system operation costs. At the same time, the new system provides a significantly shorter time to market for new products and price adjustments.

Finally, the group has made targeted efforts to cut costs by enhancing the efficiency of administrative working procedures. In recent years, the non-life insurance company has thus reduced five claims handling departments to two; one in Roskilde, which handles private and commercial customer claims, and one in Aarhus, which handles agricultural claims. The handling of a number of claims, such as motor, personal accident and third-party liability claims, takes place from the company's headquarters.

#### *Reduction of risk and amendment of terms*

The group's ambition is to reduce the expense ratio. The company expects to achieve this by ensuring a balance between price and risk and by increasing the focus on acceptance policies and compliance with such policies.

The non-life insurance company has initiated a number of measures to reduce the risk attaching to the portfolio and to ensure better quality, lower repair costs, cheaper claims assessment as well as ongoing improvements of the private, commercial and agricultural customer portfolios.

In order to improve the profitability, a new "Quality and Risk" unit was set up in September 2010. The department consists of two teams, an agricultural consultants team and a conversion team. The agricultural consultants are responsible for inspection, risk assessment and adjustment of insurances on a substantial part of the agricultural portfolio. This service is expected to result in fewer and less expensive claims. The conversion team will focus on commercial customers, technical industries and workers' compensation insurances. The purpose of this is to collect additional data for use in more precise risk assessment and determination of premiums.

#### *Premium increases relative to risk*

In order to ensure profitability in the non-life insurance portfolio, the company has gradually implemented a number of premium increases on household comprehensive and building insurance since 2008. Most existing customers have received notification of new insurance terms and new tariffs. This resulted in average price increases on the portfolio of around 12% on building insurances and 8% on household comprehensive insurances from mid-2009 to mid-2010 with reduced increases being offered to customers with a particularly good claims experience.

	DKKm	2010	2009	2008	2007	2006
<b>INCOME STATEMENT</b>	Gross premiums	4,762	4,714	4,769	4,578	4,279
	Technical interest	33	53	125	112	88
	Claims expenses	- 3,702	- 3,601	- 3,523	- 3,156	- 2,735
	Insurance operating expenses	- 839	- 872	- 905	- 898	- 877
	Reinsurance profit/loss	- 136	- 146	- 173	- 129	- 157
	<b>Technical result</b>	<b>118</b>	<b>148</b>	<b>293</b>	<b>507</b>	<b>598</b>
	Interest and dividends, etc.	283	370	376	338	267
	Capital gains and losses	- 22	1	- 76	98	93
	Management expenses relating to investment business	- 19	- 29	- 15	- 15	- 14
	Return on technical provisions	- 155	- 205	- 301	- 268	- 209
	<b>Return on investment after technical interest</b>	<b>87</b>	<b>137</b>	<b>- 16</b>	<b>153</b>	<b>137</b>
	Other ordinary items	2	2	- 15	- 13	- 11
	<b>Profit before tax</b>	<b>207</b>	<b>287</b>	<b>262</b>	<b>647</b>	<b>724</b>
	Tax	- 51	- 79	- 67	- 185	- 186
	<b>Profit after tax</b>	<b>156</b>	<b>208</b>	<b>195</b>	<b>462</b>	<b>538</b>
<b>BALANCE SHEET</b>	Run-off gains/losses	139	80	- 34	85	45
	Total provisions for insurance contracts	6,920	6,631	6,260	5,930	5,719
	Insurance assets	163	103	67	104	142
	Total shareholders' equity	1,808	1,753	1,610	2,338	2,169
	Total assets	9,383	8,933	8,436	8,786	8,224
<b>KEY RATIOS</b>	Gross claims ratio	77.8%	76.4%	73.9%	69.0%	63.9%
	Gross expense ratio	17.6%	18.5%	19.0%	19.6%	20.5%
	Net reinsurance ratio	2.8%	3.1%	3.6%	2.8%	3.7%
	Combined ratio	98.2%	98.0%	96.5%	91.4%	88.1%
	Operating ratio	97.6%	96.9%	94.0%	89.2%	86.3%
	Relative run-off result	3.3%	1.8%	- 0.8%	2.2%	1.0%
	Return on equity before tax	11.9%	19.1%	15.4%	30.3%	37.2%
	Return on equity after tax	9.0%	13.8%	11.5%	21.6%	27.6%
	Solvency ratio*	2.7	2.7	2.7	3.0	3.0

Financial highlights and key ratios have been calculated in accordance with the Executive Order on the presentation of financial reports by insurance companies and profession-specific pension funds.

\* The solvency ratio is for Alm. Brand Forsikring A/S.

Most recently, the non-life insurance company has increased the premium on new household comprehensive and building business written with effect from mid-November 2010. Premiums on new business written in these lines have been increased by an average of 9% and 13%, respectively.

In addition, the non-life insurance company launched a new personal accident product in mid-September 2010. This product provides the customers with better cover and a number of supplementary cover options. The product improvement and price adjustments led to price increases of up to 30%. Notification of existing customers was initiated in November 2010.

In the commercial customer segment, the premium on new building and house contents business written was increased with effect from October 2009. During 2010, more or less all customers received notification of premium increases of 12% on average.

Because the customers have been able to choose to increase the deductible and reduce the scope of cover as an alternative to the notified premium increases, premium income has not risen fully in line with the notified premium increases but, on the other hand, the risk attaching to the portfolio has declined, thereby creating a better correlation between price and risk.

## PERFORMANCE

Non-life operations generated a profit for the year of DKK 207 million, against DKK 287 million in 2009. The most recent profit guidance was for DKK 100 million. The performance was thus better than had been expected and, in light of the extraordinary weather-related expenses in 2010, the performance is considered satisfactory.

The return on equity before tax was 12%, against 19% in 2009.

The technical result amounted to DKK 118 million, against DKK 148 million in 2009.

The investment return after technical interest amounted to a profit of DKK 87 million in 2010, against a profit of DKK 137 million in 2009. The investment return was higher than expected.

## Premiums

Gross premiums rose by DKK 48 million to DKK 4,762 million, against DKK 4,714 million in 2009, an increase of 1%. This performance was in line with expectations. Average premiums in the industries affected by premium increases rose by a total of 6.5% relative to 2009.

Premium income in the private customer segment was lifted by price increases on building and household comprehensive insurances, rising by 2.6% relative to 2009.

In the commercial customer segment, gross premiums fell by 0.7%. The premium increases implemented on building and house contents products combined with the declining market due to the economic crisis to produce a slightly larger customer outflow than anticipated. However, Alm. Brand is overall assessed to have gained market share in this segment in 2010.

## Claims

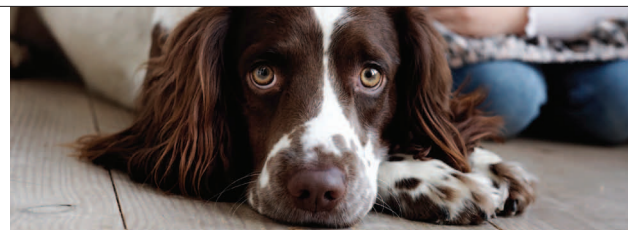
The claims ratio was 77.8, against 76.4 in 2009, and total gross claims were DKK 3,702 million, against DKK 3,601 million last year.

The increase in 2010 was attributable to snow load and extraordinary winter-related claims in the first quarter and to major cloudburst claims in August. However, the underlying business generally improved, and expenses for major claims reported in 2010 were lower compared with the expected level of DKK 400 million. Moreover, the performance was positively affected by run-off gains.

The increase in average claims expenses observed in recent years, especially on building and house contents insurances, remained unchanged from the 2009 level.

The heavy snowfalls in the first and fourth quarters and increased efforts from the police served to reduce the number of burglaries for the first time in several years. This trend continued in the subsequent quarters, although the declines recorded were not as pronounced as in the first quarter. Overall, Alm. Brand recorded a 13% decline in the number of reported burglary claims relative to 2009.

In 2010, the personal accident segment continued to be affected by a higher claims frequency and higher permanent



injury payments. In an effort to address this trend, a new personal accident product was introduced in September, offering additional benefits for the customers at a price reflecting a better cover and restoring profitability. The portfolio will be notified of the new terms and prices at the renewal date with effect from 1 January 2011.

The interest rate used for discounting provisions declined in 2010 relative to 2009. This means that larger provisions are required to cover claims. The lower level of interest rates increased the claims ratio by slightly more than 0.6 of a percentage point relative to 2009.

Expenses for weather-related claims amounted to DKK 391 million in 2010, which was DKK 246 million higher than in 2009 and more than DKK 200 million above the normal level.

Snow load claims incurred in the first quarter amounted to DKK 200 million, and the large number of cloudburst claims incurred in August amounted to approximately DKK 140 million. In addition, other weather-related events, such as windstorm, hail, etc., resulted in claims in the amount of approximately DKK 50 million.

Moreover, the severe winter resulted in a higher number of claims due to car accidents, fall injuries, frozen and burst pipes and sudden thaw, equivalent to approximately 5,000 more claims than in 2009 or an increase in claims expenses of approximately DKK 82 million relative to 2009.

Expenses for weather-related claims and the extra winter-related claims, including car accidents, fall injuries, etc., thus totalled DKK 473 million, an increase of DKK 328 million relative to 2009. These claims impacted the claims ratio by 9.9 percentage points in 2010. The claims ratio was affected by 6.9 percentage points relative to 2009 and by 5.9 percentage points relative to a normal year.

After reinsurance received in the amount of DKK 66 million, total expenses for weather-related claims net of reinsurance amounted to DKK 407 million, corresponding to an impact on the claims ratio of 8.5 percentage points.

Major claims net of reinsurance amounted to DKK 338 million in 2010, against DKK 371 million in 2009, which was DKK 24 million lower than expected on announcement of the

interim financial statements for the third quarter of 2010 and DKK 62 million below the normal level. Major claims affected the claims ratio by 7.1 percentage points, against 7.9 percentage points in 2009.

Run-off gains net of reinsurance totalled DKK 139 million, against DKK 80 million in 2009. The run-off result reduced the claims ratio by 2.9 percentage points. The largest run-off gains were recorded on workers' compensation, building and motor insurance, while personal accident and liability insurance reported run-off losses.

#### Costs

Overall costs fell by DKK 33 million to DKK 839 million in 2010, against DKK 872 million in 2009. The expense ratio totalled 17.6, against 18.5 in 2009. Since 2006, the expense ratio has declined from 20.5 to 17.6, equivalent to a decline of just over 14%.

In August 2010, Alm. Brand Forsikring implemented a number of staff reductions and branch office closures, which are expected to further lower the expense ratio. In addition to staff reductions, the non-life insurance company is working to reduce other costs and enhance the efficiency of its business procedures. The measures are expected to reduce the expense ratio to below 17 by the end of 2012.

#### Combined ratio

The combined ratio was 98.2 in 2010, against 98.0 in 2009. The table below breaks down the combined ratio into underlying result, major claims, weather-related claims and run-off result after reinsurance received. The weather-related claims for 2010 include extraordinary winter-related claims in the form of a higher number of car accidents, fall injuries, etc.

	2010	2009	2008	2007
Combined ratio excl weather-related claims				
major claims	85.5	88.7	84.8	82.1
Weather-related claims	7.1	7.9	9.1	6.9
Run-off result	8.5	3.1	1.9	4.3
Combined Ratio	- 2.9	- 1.7	0.7	- 1.9
	98.2	98.0	96.5	91.4



By deducting all claims expenses net of reinsurance related to major claims, weather-related claims and run-off result, we arrive at the combined ratio of the underlying business. In 2010, the combined ratio of the underlying business fell to 85.5 from 88.7 in 2009. This figure factors in a changed discount rate, which affected the 2010 combined ratio adversely by 0.6 of a percentage point relative to 2009.

The net reinsurance ratio for the year was 2.8, against 3.1 in 2009. The reason for the lower reinsurance ratio was that cloudburst claims in excess of DKK 85 million were covered by the company's reinsurance programme. The cloudburst claims are recognised in the financial statements at DKK 140 million, DKK 55 million of which is covered by the reinsurance programme.

Due to a large portfolio of building-related insurances, Alm. Brand has considerable exposure to weather-related claims.

#### **Investment return**

The non-life investment assets are predominantly placed in interest-bearing assets consisting of government and mortgage bonds with an overweight of mortgage bonds. A significant part of the interest exposure is hedged by way of interest rate swaps. Throughout 2010, the interest-bearing assets had an overall weighted duration of approximately three years. The non-life equity exposure represented less than 1% of the investment assets in 2010.

The investment return after value adjustment of provisions, but before transfer to the technical result, amounted to DKK 242 million in 2010. The return was DKK 342 million in 2009.

The fall in interest rates during 2010 resulted in negative value adjustments of non-life provisions, which were offset by positive value adjustments of assets. However, value adjustments of assets and provisions contributed a net loss in 2010. Accordingly, the investment return mainly reflected interest income.

#### **Financial results for Q4**

Non-life operations generated pre-tax profit of DKK 166 million in Q4 2010, as compared with a profit of DKK 56 million in the same period of last year. The most recent projection included a profit forecast of DKK 59 million before tax. The performance was highly satisfactory, showing strong growth in the underlying business.

The technical result amounted to DKK 112 million, against DKK 47 million in 2009. Relative to the same period of last year, the technical result was favourably affected by a better performance of the underlying business, fewer weather-related claims and lower costs, while a higher number of major claims and run-off losses had an adverse effect on the technical result.

The investment return after technical interest was DKK 54 million in Q4 2010, against DKK 8 million in the year-earlier period.

#### *Premiums*

Gross premiums amounted to DKK 1,203 million, against DKK 1,205 million in 2009. Premium income was thus unchanged relative to 2009 in spite of the premium increases implemented. This was due to fewer motor and workers' compensation insurances.

#### *Claims*

The claims ratio totalled 71.7 in Q4 2010, against 76.6 in the same period of 2009. Total gross claims amounted to DKK 863 million, against DKK 923 million in 2009, corresponding to a decline of DKK 60 million.

The decline in the number of burglary claims relative to the same period of last year continued in the fourth quarter when 20% fewer burglary claims were reported. Conversely, the early onset of winter with heavy snowfall already from mid-November resulted in a 10% increase in reported traffic accident claims and an increase of just over 6% in reported personal accident claims.

Overall, the number of reported claims declined by 7% in Q4 2010, compared with Q4 2009. In addition to the decline in burglary claims, the fall was attributable to 2009 being affected by windstorm claims, which 2010 was not, and also to a positive trend in the number of fire claims.

Major claims amounted to DKK 72 million, against DKK 59 million in Q4 2009.

Weather-related claims amounted to DKK 10 million, against DKK 41 million in Q4 2009. The lower level of weather-related claims reduced the claims ratio by 2.6 percentage points relative to the same period of 2009.

The company recorded a run-off loss net of reinsurance of DKK 23 million in Q4 2010, as compared with a run-off gain of DKK 28 million in 2009.

Due to the discounting effect, the sustained low level of interest rates in Q4 2010 increased the claims ratio by 0.4 of a percentage point relative to the same period of 2009.

#### *Costs*

The expense ratio was 15.5, against 16.6 in the same period of 2009, and thus developed in line with expectations.

#### *Combined ratio*

The combined ratio was 91.3, against 96.9 in Q4 2009.

#### *Investment return*

The investment return after value adjustment of provisions, but before transfer to insurance activities, amounted to DKK 89 million in Q4 2010, as compared with DKK 52 million in the year-earlier period.

The investment return in Q4 2010 was favourably affected by rising interest rates, resulting in net positive value adjustments of assets and provisions. In addition, a part of the investment return was attributable to interest income on the bond portfolio.

#### **Private customers**

Relative to 2009, the division of the portfolio on private and commercial customers, respectively, was changed. According to the new division, a farmer will be registered as a commercial customer. This means that the farmer's private insurances (for example his household comprehensive insurance) is now included in the commercial portfolio. Previously, the farmer's insurances would have been split between the two segments. All comparative figures have been restated to reflect this change.

The technical result excluding technical interest was a profit of DKK 104 million in 2010, against a loss of DKK 22 million in 2009. The performance was satisfactory and reflected an improvement of the underlying business.

Premium income for the full year 2010 rose by 2.6% to DKK 2,504 million. Growth in the private customer segment was favourably affected by premium increases on household comprehensive and building insurances. Relative to 31 December 2009, the average premium on household comprehensive insurances increased by just over 10%, while the average premium on building insurances increased by just over 6%.

The work to restore the profitability of the portfolio continued in 2010, and the prices for new building and household comprehensive insurances taken out were further increased by an average of 13% and 9%, respectively, in November.

The performance of the personal accident segment was not satisfactory, and the company therefore launched a new personal accident product in September. The new product provides the customers with better cover and a number of supplementary cover options. Product and price adjustments result in premium increases of around 30%. The customers will be notified about the new terms and prices during 2011, starting with policies coming up for renewal on 1 January 2011. The price increase for each individual customer varies based on an overall assessment of the profitability of the customer relationship.

#### Private customer segment

DKKm	2010	2009
Gross premium income	2,504	2,440
Gross claims expenses	- 1,917	- 1,929
Insurance operating expenses	- 470	- 490
Reinsurance loss	- 13	- 43
Technical result <sup>*)</sup>	104	- 22
Run-off result	58	37
Gross claims ratio	76.6%	79.1%
Gross expense ratio	18.8%	20.1%
Net reinsurance ratio	0.5%	1.8%
Combined Ratio	95.9%	101.0%

<sup>\*)</sup> Excluding technical interest

The combined ratio totalled 95.9, against 101.0 in 2009. The claims ratio fell to 76.6, as compared with 79.1 in 2009.

Major claims amounted to DKK 89 million, against DKK 84 million in 2009. Moreover, weather-related claims resulted in claims in a total amount of DKK 89 million, against DKK 63 million in 2009. Weather-related expenses net of reinsurance amounted to DKK 58 million, against DKK 63 million in 2009. Approximately 75% of the weather-related claims were attributable to cloudburst claims in August.

The measures initiated to improve the claims experience on building and household comprehensive insurances are beginning to take financial effect. Accordingly, a declining claims ratio was recorded as a result of the premium increases implemented and a number of claims mitigation measures. However, the claims experience on household comprehensive insurances is not yet satisfactory.

The claims experience on motor insurances, on the other hand, is satisfactory. From April until and including October, the claims frequency was slightly below the level recorded for the same period of 2009, but the heavy snowfall and ice in the winter months resulted in an increase in the number

of traffic accidents. The claims frequency for the year as a whole was therefore slightly higher than in 2009. However, average claims were slightly lower than in 2009.

The personal accident segment recorded an increase in both claims frequency and average claims, which led to the product and price adjustments described above.

The expense ratio dropped to 18.8 from 20.1 in 2009.

The company recorded a run-off gain of DKK 58 million in 2010, against DKK 36 million in 2009. The 2010 run-off result comprises run-off gains on building and motor insurance and a small run-off loss on personal accident and household comprehensive insurance.

The net reinsurance ratio was 0.5, against 1.8 in 2009. The improvement was attributable to reinsurance claims received for the cloudburst claims in August.

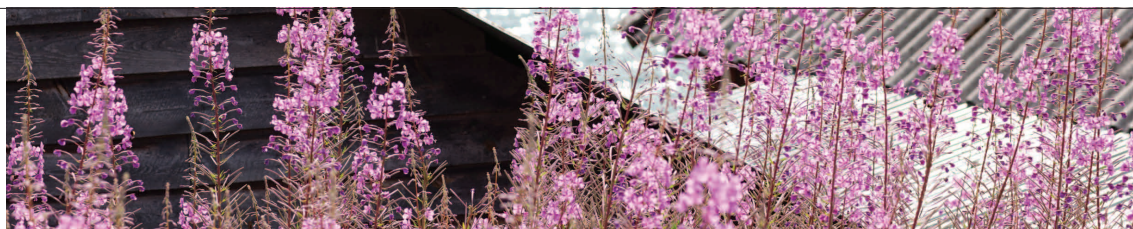
#### Commercial customers

The technical result excluding technical interest was a loss of DKK 19 million in 2010, against a profit of DKK 117 million in 2009. The performance was not satisfactory but largely in line with the guidance provided.

The unsatisfactory performance was due to the high number of snow load claims, especially hitting the agricultural segment in February and March. Furthermore, the performance was adversely affected by other extraordinary winter-related claims, declining premium income and increased expenses for reinsurance.

On the other hand, the performance was favourably affected by fewer major claims, run-off gains and a better claims experience in house contents and building insurance lines as far as the underlying business is concerned.

Gross premium income from commercial customers fell by DKK 16 million to DKK 2,258 million in 2010, against DKK 2,274 million in 2009. This equalled a decline of 0.7%.



As a result of the poor product profitability, premium increases were notified on building and house contents insurances with effect from the renewal date of the individual policies, starting on 1 January 2010. Customers have been notified of premium increases of 12% on average. In the commercial customer segment, this resulted in a slightly greater customer outflow than expected.

Moreover, many customers have chosen to convert to policies with higher deductibles or reduced cover. While reducing the effect of the premium increases, this change will also lower Alm. Brand's risk exposure.

The premium income decline affects workers' compensation and motor insurances in particular. As far as workers' compensation insurance is concerned, the decline is driven by the sustained recession in the construction and small business sectors and by fierce price competition. Economic conditions also continue to play a role in the motor insurance segment due to businesses reducing their fleet of cars, probably in an effort to achieve tighter cost control.

#### Commercial customer segment

DKKm	2010	2009
Gross premium income	2,258	2,274
Gross claims expenses	- 1,786	- 1,672
Insurance operating expenses	- 369	- 382
Reinsurance loss	- 122	- 103
Technical result*)	- 19	117
Run-off result	81	43
Gross claims ratio	79.1 %	73.5 %
Gross expense ratio	16.3 %	16.8 %
Net reinsurance ratio	5.5 %	4.5 %
Combined ratio	100.9 %	94.8 %

\*) Excluding technical interest

The combined ratio totalled 100.9, against 94.8 in 2009, and the claims ratio was 79.1, as compared with 73.5 in 2009.

Major claims amounted to DKK 249 million, against DKK 331 million in 2009. After reinsurance received, major claims totalled DKK 249 million in 2010, against DKK 287 million in 2009, equivalent to a reduction of the combined ratio of 3.6 percentage points.

Expenses for weather-related claims amounted to DKK 302 million, corresponding to an increase of DKK 220 million relative to 2009. After reinsurance received, weather-related claims totalled DKK 267 million, against DKK 82 million in 2009. This equalled an increase of the combined ratio of 8.2 percentage points. Snow load claims represented DKK 197 million of the weather-related claims.

The run-off result net of reinsurance was a gain of DKK 81 million, corresponding to an increase of DKK 38 million relative to 2009. Run-off gains were recorded on workers' compensation, building/house contents and motor insurance, among others. On the other hand, there was a run-off loss on professional liability insurance.

The net reinsurance ratio was 5.5, against 4.5 in 2009. The aggregate amount of reinsurance received was DKK 34 million due to snow load and cloudburst claims.

The expense ratio totalled 16.3, against 16.8 in 2009.

#### BALANCE SHEET

At 31 December 2010, the equity allocated to the non-life company was DKK 1.8 billion. Alm. Brand Forsikring A/S had a solvency ratio of 2.7 at 31 December 2010.

Total technical provisions amounted to DKK 6.9 billion at 31 December 2010, against DKK 6.6 billion a year earlier.

## MAJOR EVENTS

### **New supreme court ruling on workers' compensation**

On 16 August 2010, the Danish Supreme Court delivered a judgment on the determination of annual pay and occupational disability rates for temporary part-time employees.

The Supreme Court ruling concerned how the National Board of Industrial Injuries should determine the annual pay and occupational disability rates on the basis of which damages are calculated. As a result of the judgment, the National Board of Industrial Injuries will change its previous practice, which means that a number of cases may be reopened. To date, particularly nurses and caregivers have requested that their cases should be reopened. Alm. Brand's portfolio of nurses and caregivers is relatively limited.

Alm. Brand has estimated the economic consequences of the Supreme Court ruling and expects to incur an expense of DKK 17 million from previous cases, which has been recognised in the 2010 financial results.

### **New agricultural segment structure**

The structure of the agricultural sector has changed significantly over the past ten years. The number of productive farms has thus declined substantially. As a result of the structural developments, Alm. Brand reduced the number of agricultural insurance agents by around 50% in August 2010. It is assessed that the measures implemented to enhance the efficiency of the processes, combined with the declining number of productive farms, will enable Alm. Brand to maintain the desired level of sales and service activities for the company's agricultural customers.

### **Collaboration with EDC terminated**

The group's collaboration with the EDC chain of estate agents was terminated with effect from 1 August 2010. Due to the low level of activity in the property market, the discontinuation of this distribution channel has had no material effect on new business written.

### **Snow load claims**

The severe winter weather in January and February 2010 led to a significantly higher number of claims than normally, including a large number of snow load claims. Substantial volumes of accumulated snow especially on large, low-slope roofs exerted an excessive structural load which eventually caused roofs to collapse. In particular, the thaw and rain in weeks seven and eight contributed to a massive number of insurance-covered snow load claims.

Agricultural properties were particularly hard hit, and Alm. Brand recorded many and very expensive claims. Residential dwellings also saw a large number of claims, but the expenses relating to such claims are typically lower, as they mostly involve outhouses, conservatories and greenhouses.

The distribution was uneven across Denmark, with North Jutland taking the hardest blow.

Part of the claims involved relatively new buildings with roofs that should be capable of withstanding the snow loads seen this past winter. In some cases, a construction defect was proven, and the claim was therefore dismissed.

Alm. Brand sought to limit the number of snow load claims by contacting customers in exposed areas by telephone or letter and also warned about the risk in trade journals. Alm. Brand will further increase its preventive efforts if or when similar situations arise in future.

### **New terrorism risk pool**

The Act on a Terrorism Insurance Scheme for the Non-Life Insurance Area of June 2008 was enacted on 31 March 2010. This act provides a DKK 15 billion government guarantee to the Danish insurance industry to cover market claims in excess of DKK 5 billion. Coverage up to this level takes place through the joint pool for the Danish insurance market, which has taken out reinsurance cover for amounts in excess of DKK 500 million with effect from 1 January 2011. Alm. Brand's retention has been fixed at DKK 63.5 million.

The act, the government guarantee and the pool comprise so-called NBCR terrorism claims, i.e. claims arising as a result of terrorist attacks in Denmark by use of chemical, biological or nuclear weapons.

Coverage of claims resulting from conventional terrorist attacks in Denmark still rests with the individual insurance companies.

Alm. Brand's expenses for the government guarantee amounted to DKK 2.5 million in 2010.

#### **Cloudburst in August**

On 14 August 2010, Copenhagen and North Zealand were hit by a severe cloudburst. North Zealand was hit the hardest, with the town of Vedbæk recording a fall rate of almost 100 millimetres over a period of 24 hours. This was 1.5 times the monthly average for the area.

Additional cloudbursts all over Denmark during the following days resulted in total precipitation of 124 millimetres for Denmark overall in August. This made August 2010 the 10th wettest August since the Danish Meteorological Institute started measuring precipitation.

Alm. Brand received an aggregate of some 3,000 cloudburst claims during the period, the cost of which is expected to total approximately DKK 140 million before reinsurance. After reinsurance, the expense for Alm. Brand will be DKK 85 million.

#### **New agreement with insurance agents**

The company concluded a new agreement with insurance agents effective 1 July, which reduces commission rates on commercial and agricultural business by more than 10% on average. However, it is expected that new tools and work methods will enhance the efficiency of individual insurance agents in order that their salary levels may be retained.

#### **Reinsurance**

As from 1 October, Alm. Brand took out cover in respect of the risk of a windstorm or other catastrophic events from DKK 75 million upwards, as opposed to previously when the company had only covered risks from DKK 150 million upwards. This cover should be seen in light of last winter's events and reflects the company's ongoing risk management efforts.

#### **OUTLOOK**

Overall, non-life operations are expected to generate a profit before tax at the level of DKK 300 million in 2011, corresponding to a combined ratio of around 95.

Costs are expected to be at the level of 17% in 2011.

Overall, premium income is expected to increase by around 1% in 2011.

# BANKING

In order to increase the transparency of Alm. Brand Bank A/S' financial statements, the bank publishes pro rata consolidated figures. The figures are set out in the financial highlights and key ratios above and, unless otherwise indicated, the comments provided in the text below are for pro rata figures. Banking group figures are commented on only when found relevant.

Alm. Brand Bank is Denmark's 15th largest bank with a market share of approximately 1% in terms of working capital.

The bank offers products that meet a variety of private customer financial needs, while business with other customer groups, including small and medium-sized businesses and agricultural customers, is being wound up. Moreover, the bank has activities within leasing, bond, equity and currency trading and research (Markets) and asset management (Asset Management).

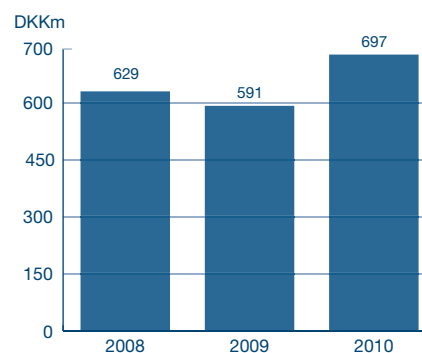
The bank is wholly owned by Alm. Brand A/S and distributes its products through the Alm. Brand Group's 11 branches, a centralised customer service centre and through its website/online bank.

## MARKET

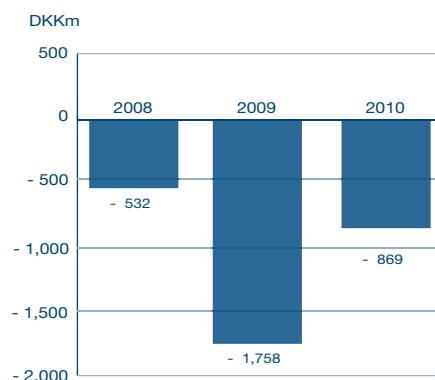
In 2010, the financial markets were characterised by uncertainty, among other things due to fear of a global economic downturn and large public deficits in Europe. After the wide-ranging fiscal policy stimuli ceased during the second half of 2010, growth proved more robust than initially assumed, which had a positive effect on equity markets in the final part of the year. The interest rate level traced a declining trend for the year as a whole.

The interest rate level has been favourable for the bank's lending customers. House prices have stabilised with an increase recorded in major cities. However, the number of forced sales remains high. The level of interest rates and the stabilisation of house prices have had a positive effect on the bank's lending customers, but the customers are still exposed to interest rate increases, unemployment and declining property prices.

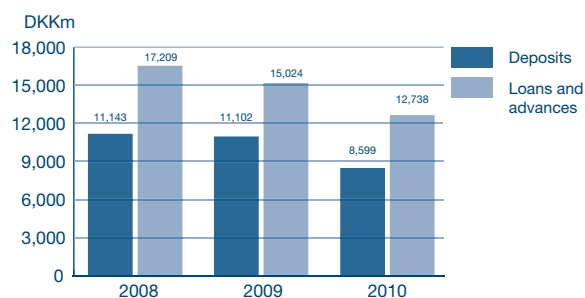
## NET INTEREST AND FEE INCOME



## PROFIT/LOSS BEFORE TAX

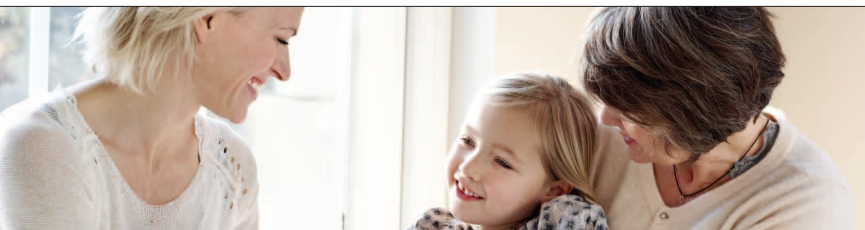


## DEPOSITS, LOANS AND ADVANCES



		PRORATA		CONSOLIDATED FIGURES				
	DKKm	2010	2009	2010	2009	2008	2007	2006
<b>INCOME STATEMENT</b>	Interest receivable	954	1,082	974	1,114	1,523	1,237	823
	Interest payable	- 416	- 634	- 421	- 643	- 1,077	- 842	- 464
	<b>Net interest income</b>	<b>538</b>	<b>448</b>	<b>553</b>	<b>471</b>	<b>446</b>	<b>395</b>	<b>359</b>
	Net fees and commissions receivable and dividends, etc.	159	143	158	140	195	207	157
	<b>Net interest and fee income</b>	<b>697</b>	<b>591</b>	<b>711</b>	<b>611</b>	<b>641</b>	<b>602</b>	<b>516</b>
	Value adjustments	- 350	- 177	- 351	- 257	- 535	52	75
	Other operating income	23	17	23	17	14	12	10
	<b>Profit before expenses</b>	<b>370</b>	<b>431</b>	<b>383</b>	<b>371</b>	<b>120</b>	<b>666</b>	<b>601</b>
	Expenses and depreciation/amortisation	- 516	- 658	- 523	- 669	- 532	- 521	- 439
	Other operating expenses	- 67	- 81	- 76	- 81	- 25	-	-
	Writedowns of loans, advances and receivables, etc.	- 668	- 1,451	- 660	- 1,451	- 340	50	27
	Profit/loss from equity investments	12	1	11	1	4	- 5	11
	<b>Profit/loss before tax</b>	<b>- 869</b>	<b>- 1,758</b>	<b>- 865</b>	<b>- 1,829</b>	<b>- 773</b>	<b>190</b>	<b>200</b>
	Tax	222	433	222	433	127	- 33	- 34
<b>Profit/loss after tax</b>	<b>- 647</b>	<b>- 1,325</b>	<b>- 643</b>	<b>- 1,396</b>	<b>- 646</b>	<b>157</b>	<b>166</b>	
Share attributable to minority interests	-	-	- 4	71	218	- 9	- 39	
<b>Profit/loss after tax excluding minority interests</b>	<b>-</b>	<b>-</b>	<b>- 647</b>	<b>- 1,325</b>	<b>- 428</b>	<b>148</b>	<b>127</b>	
<i>Profit/loss before tax excluding minority interests</i>	<i>-</i>	<i>-</i>	<i>- 869</i>	<i>- 1,758</i>	<i>- 532</i>	<i>196</i>	<i>167</i>	
<b>BALANCE SHEET</b>	Loans and advances	12,738	15,024	12,485	14,823	17,292	17,116	13,128
	Deposits	8,599	11,102	8,598	11,096	11,141	11,758	9,548
	Shareholders' equity	1,564	1,362	1,759	1,589	1,237	1,917	1,785
	Share attributable to minority interests	-	-	195	227	300	552	569
	<b>Total assets</b>	<b>24,782</b>	<b>26,162</b>	<b>25,597</b>	<b>26,539</b>	<b>24,708</b>	<b>25,785</b>	<b>20,165</b>
<b>KEY RATIOS</b>	Average no. of employees (full-time equivalents)	327	365	327	366	381	374	338
	Interest margin	-	-	2.3%	1.9%	1.8%	1.7%	2.0%
	Income/cost ratio	0.31	0.20	0.31	0.17	0.14	1.40	1.49
	Impairment ratio	4.3%	7.8%	4.3%	7.9%	1.7%	- 0.3%	- 0.2%
	Solvency ratio	-	-	18.8%	16.0%	12.6%	11.7%	12.1%
	Return on equity before tax	- 80.8%	- 321.7%	- 67.2%	- 321.7%	- 45.4%	15.2%	14.5%
	Return on equity after tax	- 60.1%	- 243.7%	- 50.0%	- 243.7%	- 37.2%	11.5%	11.1%

*Financial highlights and key ratios have been calculated in accordance with the Executive Order on the presentation of financial reports by credit institutions and investment companies etc.*



In 2010, the bank again recorded significant impairment writedowns on loans and credit losses on mortgage deeds, which was primarily attributable to the bank's substantial property market exposure. The bank thus remained affected by the financial crisis and the subsequent economic downturn.

### STRATEGY

The goal is for the bank to become a bank with significantly reduced risk of losses and writedowns as compared with the situation today. The primary objective is to create a profitable bank that offers attractive products to its customers.

In 2009, the bank's strategy was revised with the aim of winding up activities within property development projects and mortgage deeds. The strategy was further sharpened in 2010 to the effect that the temporary stop introduced on loans to agricultural customers and small and medium-sized businesses was made permanent, unless such loans were granted for credit defence purposes.

The bank's new strategy restores focus on the private customer segment and profitability. The bank aims to achieve this strategy by offering attractive banking products to the private customers of the non-life insurance company, expanding its Asset Management and Markets activities based on the group's investment activities and minimising future losses and capital charges by winding up non-strategic business areas.

The winding-up portfolio should be handled so as to mitigate losses as much as possible, and the process is therefore expected to continue over a number of years. Completing a controlled winding-up process focused on limiting future losses will be crucial for the bank's earnings in the years ahead. Accordingly, a large part of the bank's resources will remain focused on handling non-performing exposures.

### PERFORMANCE

The bank incurred a loss before tax of DKK 869 million in 2010, against a loss of DKK 1,758 million in 2009.

Before losses and writedowns, Alm. Brand Bank posted a pre-tax profit of DKK 39 million, against an expected profit of DKK 90 million. The deviation was mainly attributable to

the trend in value adjustments, partly due to rising interest rates affecting the market value of the bank's bond portfolio and partly due to a capital loss on an unlisted share in a company whose annual financial statements published in mid-January 2011 revealed that the equity was lost.

The loss for the year of DK 869 million remained largely driven by major impairment writedowns on loans and credit losses on mortgage deeds. Overall, impairment writedowns totalled DKK 908 million in 2010, against DKK 1,667 million last year. The 2010 performance was furthermore adversely affected by a DKK 134 million capital loss on illiquid shares, which the bank acquired in connection with the winding up of a number of exposures.

The performance was highly unsatisfactory.

### Net interest and fee income

Alm. Brand Bank recorded net interest and fee income of DKK 697 million in 2010, against DKK 591 million in 2009.

The bank's net interest income rose to DKK 538 million, against DKK 448 million in 2009. The net interest income was favourably affected by an increasing customer interest margin and by the fact that the bank had a large portfolio of high-yielding bonds in 2010. Net interest income was adversely affected by a decline in lending. The interest margin for the parent company and the banking group totalled 2.1% and 2.3%, respectively, in 2010.

The bank's net fees and dividends amounted to DKK 159 million in 2010, against DKK 143 million in 2009.

### Value adjustments

The bank's value adjustments totalled a loss of DKK 350 million in 2010, against a loss of DKK 177 million in 2009.

A major part of the value adjustments was attributable to losses on other loans, advances and receivables at fair value. Other loans, advances and receivables at fair value consist primarily of mortgage deeds on which losses and credit writedowns in the amount of DKK 240 million were recorded in 2010. In 2009, losses and credit writedowns amounted to DKK 216 million. In addition, the company incurred other capital losses of DKK 4 million on the mortgage deed portfolio, thus impacting value adjustments adversely by a total amount of DKK 244 million.

Overall value adjustments of bonds and fixed-income instruments totalled a loss of DKK 12 million, against an overall gain of DKK 32 million in 2009.

In 2010, the bank recorded negative value adjustments of equities and equity instruments of DKK 91 million against positive value adjustments of DKK 31 million in 2009. The capital loss on equities was attributable to the fact that, in connection with the winding up of a number of lending exposures, the bank has a large portfolio of illiquid shares which generated an aggregate capital loss of DKK 134 million in 2010. Excluding the capital loss on illiquid shares, the bank generated a capital gain of DKK 43 million in 2010.

Foreign exchange adjustments totalled a loss of DKK 3 million in 2010, compared with a gain on foreign exchange adjustments of DKK 10 million in 2009.

#### **Other operating expenses**

Other operating expenses amounted to DKK 67 million in 2010, against DKK 80 million in 2009. This item primarily related to the bank's expenses in respect of Bank Package I, which expired on 30 September 2010.

The bank's overall expenses in respect of Bank Package I totalled DKK 106 million in 2010. Total expenses in the amount of DKK 61 million were recognised under other operating expenses and DKK 45 million under writedowns on loans, advances and receivables etc.

#### **Costs**

The bank's staff costs and administrative expenses totalled DKK 506 million in 2010, against DKK 547 million in 2009. The decline was attributable to the revised strategy, resulting in a restructuring of the bank and nine branch closures.

Total depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to DKK 10 million in 2010, against DKK 111 million in 2009. Depreciation, amortisation and impairment for 2010 was on a level with 2009 when adjusted for impairment of intangible assets in the amount of DKK 101 million in 2009 due to the revision of the bank's strategy in 2009.

#### **Impairment of loans, etc.**

Impairment of loans, advances and receivables, etc. amounted to an expense of DKK 668 million in 2010, against an

expense of DKK 1,451 million in 2009. In addition, the bank incurred credit losses and writedowns on its mortgage deed portfolio of DKK 240 million in 2010, against DKK 216 million in 2009. Credit losses and writedowns on mortgage deeds are recognised under value adjustments. Total losses and writedowns on the lending and guarantee portfolio, including credit losses and writedowns on mortgage deeds, thus amounted to an expense of DKK 908 million in 2010.

Out of the total impairment of loans, advances and receivables, etc., identified losses amounted to DKK 198 million in 2010, against DKK 230 million in 2009. Identified losses on the mortgage deed portfolio represented DKK 65 million of this amount in 2010, against DKK 170 million last year. In addition, losses of DKK 897 million were identified on impairment writedowns made in previous years.

Out of the total losses and writedowns of DKK 908 million, an amount of DKK 45 million was attributable to provisions relating to the guarantee provided to Finansiel Stabilitet A/S in connection with Bank Package I.

#### **Financial results for Q4**

The bank posted a pre-tax loss of DKK 209 million in Q4 2010, as compared with a loss of DKK 449 million in the year-earlier period.

Before losses and writedowns, the bank incurred a loss of 52 million before tax, which was DKK 51 million short of the most recent guidance provided in November 2010. The shortfall was mainly attributable to the trend in value adjustments, partly due to rising interest rates affecting the market value of the bank's bond portfolio and partly due to a DKK 25 million capital loss on one unlisted share.

#### *Net interest and fee income*

Alm. Brand Bank recorded net interest and fee income of DKK 165 million in Q4 2010, against DKK 137 million in the same period of 2009.

The bank's net interest income totalled DKK 132 million in Q4 2010, against DKK 110 million in Q4 2009, while net fees and dividends amounted to DKK 33 million in Q4 2010, against DKK 27 million in the year-earlier period.

The interest margin for the parent company and the banking group totalled 2.1% and 2.2%, respectively, in Q4 2010. Interest expenses for Q4 2010 were adversely affected by the fact that from 1 October 2010, the bank is required to pay guarantee commission at the rate of 0.95 of a percentage point on the issued bonds secured against a government guarantee.

#### *Value adjustments*

The bank's value adjustments totalled a loss of DKK 133 million in Q4 2010, against a DKK 88 million loss in the same period of 2009. The Q4 loss was largely attributable to rising interest rates. Overall value adjustments of bonds and fixed-income instruments thus totalled a loss of DKK 46 million.

Value adjustments in Q4 2010 were furthermore adversely affected by a capital loss of DKK 25 million on one unlisted share, acquired in connection with the winding up of a number of exposures, in a company which in January 2011 turned out to have lost its equity.

#### *Costs*

The bank's overall payroll and administrative expenses totalled DKK 116 million in Q4 2010, against DKK 160 million for the same period of 2009. The decline amounted to DKK 6 million when excluding the restructuring costs of DKK 38 million paid by the bank in Q4 2009.

#### *Other operating expenses*

In Q4 2010, the bank incurred other operating expenses in the amount of DKK 2 million, against DKK 22 million in the year-earlier period. Operating expenses for 2009 mainly concerned the guarantee commission to the Private Contingency Association (Bank Package I), which ceased on 30 September 2010.

#### *Impairment of loans, etc.*

Impairment of loans, advances and receivables, etc. totalled an expense of DKK 120 million in Q4 2010, as compared with an expense of DKK 215 million in the year-earlier period. In addition, the bank incurred credit losses and writedowns on the mortgage deed portfolio totalling DKK 37 million in Q4 2010, against a credit loss of DKK 52 million in Q4 2009.

Total writedowns and losses on the lending and guarantee portfolio thus amounted to an expense of DKK 157 million in Q4 2010, against an expense of DKK 267 million in the same period of 2009.

The lending portfolio and credit losses are described in detail in 'Lending portfolio' below.

#### **BALANCE SHEET**

The bank's loans and advances amounted to DKK 12.7 billion at 31 December 2010, which was DKK 2.3 billion lower than at 31 December 2009. Deducting losses and writedowns from the amount of DKK 2.3 billion, loans and advances fell by DKK 1.4 billion in 2010.

The bank's loans and advances fell by DKK 1.6 billion in Q4. Out of the total lending portfolio decline in Q4 2010, DKK 1.1 billion was attributable to the expiry of reverse transactions. Taking into account developments in losses and writedowns, lending dropped by almost DKK 0.3 billion in Q4. The limited reduction in lending despite the bank's current strategy should be seen in light of the lack of customer mobility.

The bank's deposits amounted to DKK 8.6 billion at 31 December 2010, against DKK 11.1 billion at the year-earlier date. The bank recorded a decline in deposits of DKK 1.0 billion in Q4 2010, among other things due to the expiry of fixed-rate deposits.

The bank's debt to credit institutions fell from DKK 11.2 billion at 31 December 2009 to DKK 6.3 billion at 31 December 2010. The decline should be seen in the context of the DKK 6 billion bond issue completed under the individual government guarantee at 30 June 2010. The bank did not otherwise raise any new funding in the international loan markets during 2010. As a result of the bond issue, the bank expects to have ample liquidity in 2011.

The bank's contingent liabilities and other commitments amounted to DKK 1.3 billion at 31 December 2010, which was DKK 0.6 billion lower than at 31 December 2009.



## CAPITALISATION

The bank's equity stood at DKK 1.6 billion at 31 December 2010. The capital base totalled DKK 2.6 billion, while the solvency ratio was 17.9 and the Tier 1 ratio was 15.3.

In Q4 2010, Alm. Brand made a capital contribution of DKK 850 million into Alm. Brand Bank.

The banking group's equity totalled DKK 1.8 billion at 31 December 2010. The capital base totalled DKK 2.7 billion, the solvency ratio was 18.8 and the Tier 1 ratio was 16.2.

## MAJOR EVENTS

### State-guaranteed bonds

In June 2010, the bank completed a DKK 6 billion bond issue under the individual government guarantee. The bonds were issued as bullet loans with a maturity of three years. The bond issue consists of two individual issues of DKK 4 billion and DKK 2 billion, respectively. The bank has the option of wholly or partly redeeming the DKK 2 billion issue prematurely in 2011 and 2012 at par. In consideration of the guarantee provision, the bank is required to pay guarantee commission to the Danish State as from 1 October 2010.

### Sharpening of the bank's strategy

In 2010, the bank's strategy was sharpened to the effect that, in the future, the bank will focus exclusively on increasing its private customer, leasing and Asset Management and Markets activities. Other activities are being wound up.

### Restructuring

On 31 August 2010, the bank completed a comprehensive restructuring of its branch network, closing nine out of 20 bank branches. The restructuring was implemented with a view to saving costs and adapting to the bank's new strategy.

The employees of the 11 continuing bank branches will serve new and existing private customers.

### Acquisition of shares in and delisting of Alm. Brand Pantebreve A/S

Following a voluntary public tender offer for the remaining shares of Alm. Brand Pantebreve, Alm. Brand Bank had obtained an ownership interest of 94% in November. A compulsory redemption of the remaining minority shareholders was subsequently initiated, leading to the delisting of the company from NASDAQ OMX Copenhagen with effect from 17 December 2010. The company's mortgage deed portfolio was acquired by the bank during December.

### Review of the bank's lending portfolio

The Danish Financial Supervisory Authority conducted an ordinary inspection of Alm. Brand Bank in October and November 2010. This inspection included an assessment by the Danish Financial Supervisory Authority of the bank's impairment writedowns on loans and the individual solvency need.

The inspection caused Alm. Brand Bank's management to increase impairment writedowns on a few large exposures and in the mortgage deed area, including mortgage deed investment exposures, in Q3 2010. In the opinion of Alm. Brand Bank's management, this in all material respects represents an advancement of impairment writedowns relative to forecast provided by management. In that connection, management's forecast for future losses and impairment writedowns was increased from approximately DKK 1.3 billion to approximately DKK 1.4 billion in the period from 1 January 2010 to 31 December 2012. This increase was driven by a more conservative valuation of mortgage deeds and was not caused by a higher level of arrears. After the impairment writedowns made in 2010, management estimates that losses and writedowns for the period 1 January 2011 to 31 December 2012 will amount to around DKK 550 million, assuming economic conditions develop as expected.



In 2010, Alm. Brand's management on several occasions, most recently after the inspection by the Danish Financial Supervisory Authority in October/November, requested Deloitte, KPMG and an external credit specialist to review management's estimate for losses and impairment writedowns for the period until 31 December 2012. On the basis of these individual reports on the procedures performed, management assessed that there is no need to further change the increased level of anticipated impairment writedowns for the period until 31 December 2012.

As a result of the review of the portfolio, management resolved in addition to increase the individual solvency need to 14.1%, thereby strengthening Alm. Brand Bank's capital requirement by approximately DKK 0.5 billion. The assessment of the individual solvency need thus reflects the continued substantial uncertainty associated with the estimate of expected future losses and writedowns.

The estimate of losses and writedowns is subject to great uncertainty and depends on whether economic conditions etc. develop as expected and on no significant changes taking place with respect to the market conditions of the individual lending segments. The continuing difficult economic conditions for agricultural customers may thus have an adverse effect on this forecast.

#### **Capital injection**

On 17 November 2010 and 30 December 2010, Alm. Brand A/S contributed DKK 600 million and DKK 250 million, respectively, in equity to Alm. Brand Bank.

In the summer of 2010, Alm. Brand A/S made a commitment to contribute sufficient capital to Alm. Brand Bank to ensure that Alm. Brand Bank will always meet the higher of the solvency requirement and the individual solvency need of Alm. Brand Bank. This commitment has been capped at the higher of DKK 1 billion, of which DKK 850 million was contributed in Q4 2010, and the net proceeds that Alm. Brand A/S can procure up until the company's annual general meeting in the spring of 2017 through borrowings from the company's principal shareholder, Alm. Brand af 1792 fmba, and through distributions from the company's subsidiaries, however, at a maximum of DKK 2 billion.

#### **BUSINESS ACTIVITIES**

The future business activities of the bank are organised in the business areas Private Customers and Financial Markets and the subsidiaries Alm. Brand Leasing A/S and Alm. Brand Formue A/S. Private Customers handles activities related to servicing new and existing private customers. Financial Markets handles the bank's activities related to financial markets and comprises Markets and Asset Management activities and related control and support functions. The listed subsidiary Alm. Brand Formue is an investment company that makes investments on the basis of advice from Financial Markets. All leasing activities are organised in the bank's subsidiary Alm. Brand Leasing.

The bank offers leasing and services in Financial Markets to commercial customers, but apart from this the bank has opted not to provide other loans and advances to commercial customers as a strategic business area, and this area is consequently being wound up.

The continuing business areas are described below, while the business areas that are being wound up are described in the section 'Lending portfolio'.

#### **Private customers**

##### *Market*

The low level of activity in the private customer market in 2009 continued in 2010. Although house prices in the major cities rose, no significant increase in activity was recorded relative to 2009. The margins on lending remained unchanged from 2009.

The level of interest rates remained very favourable for private customers in 2010, and mortgage bond yields continued at a record low. As a result, the home loan to mortgage loan conversion trend continued with an increasing number of customers still choosing floating-rate mortgage loans. From a liquidity point of view, this trend stretches out a safety net under private households but continues to expose the private customer market to interest rate increases and declining property prices.

The ability of the bank's private customers to pay is assessed to be unchanged, although a number of private customers are considered to be technically insolvent. However, the bank has experienced an increase in the number of exposures transferred to collection. This typically takes place in connection with unsecured credit in case of unemployment, divorce or death.

#### *Goals*

The strategic goals of the private customer business are to support profitable growth in the private customer segment and to contribute to increasing the number of full-service customers with the Alm. Brand Group. This ensures that customers stay longer with the group, which, in turn, contributes to improving the profitability of the household.

Private customers in good financial standing should be offered financial solutions on competitive terms. The goal is for customers to perceive Alm. Brand Bank as one of the best providers of customer service, advisory services and price terms, thereby supporting the creation of longstanding customer relationships.

#### *Strategy*

The private customer segment offers a full range of advisory services with respect to deposits and lending as well as investments and pensions to private customers in the Danish market. The ambition is to achieve the bank's goals through the dobbeltKUNDE concept, offering customers of the Alm. Brand Group complete advisory concepts and competitive insurance, banking and pension products.

At 31 December 2010, the bank had just below 60,000 customers (measured in terms of households), who were served by 80 banking, investment and pension advisers distributed on the Alm. Brand Group's 11 branches. In addition, around 80 employees served customers from the bank's headquarters.

2011 is expected to be characterised by weak growth in the lending portfolio, while growth in mortgage financing is expected to continue. The bank will continue to convert private mortgage deeds into mortgage loans and home loans in order to strengthen earnings and reduce credit risk.

The bank will also continue its targeted efforts to turn more part-service customers into full-service customers as well as strengthen its initiatives towards part-service customers showing signs of credit weakness.

Through these measures, the bank will seek to keep credit losses at a low level, reduce losses on the mortgage deed portfolio and increase earnings by turning more customers into full-service customers.

In 2011, the bank will gradually adjust the price and credit policy for its private customers.

#### **Markets**

##### *Market*

The interest rate level traced a declining trend over the year as a whole. Short-term interest rates remained at a low level throughout the year, while long-term interest rates declined significantly during the first eight months of the year and then began to increase again. The interest rate increases served to restore the balance between the developments in fundamental economic conditions and the level of interest rates. The Danish equity market performed well throughout 2010, while the international equity markets began to show positive trends towards the end of the year.

In 2010, Markets experienced a stronger risk aversion among its customers compared with previously, but rising equity prices during the year slowly began to whet investors' risk appetite again.

##### *Goals*

The ambition is to retain and expand the current market position. The goal is to expand the market share by offering a more focused product range. Markets particularly aims to be competitive with respect to small and medium-sized customers and has targeted its advisory services and product range to this customer segment. The intention is therefore primarily to expand the market share among small and medium-sized banks, pension companies and high net worth individuals. Based on high-quality research and advisory services, Markets will ensure a strong decision-making basis.

### *Strategy*

Markets' advisory services are based on a structured decision-making process and close collaboration between analysts and advisers. The advisers provide the individual customers with holistic-approach advisory services covering all financial products. The investment philosophy builds on long-term strategies, fundamental and quantitative research and careful risk management focused on generating a high return in alignment with the customer's risk profile.

### **Asset Management**

#### *Market*

Like Markets, Asset Management was affected by the uncertainty that characterised financial markets in 2010. As far as Asset Management is concerned, declining interest rates contributed a positive return on the bond portfolios in 2010, and rising equity market prices generally contributed decent equity portfolio returns.

#### *Goals*

Asset Management's goal is to create competitive products and returns to small and medium-sized banks, institutionals, foundations, investment associations and high net worth individuals.

#### *Strategy*

Asset Management provides asset management services and offers a full range of investment products to the targeted customer segments. Asset Management's core business area is equity and bond management. For some products, the investment philosophy is based on fundamental research, while the investment philosophy for other products is based on quantitative research. Asset Management also offers management products based on a proprietary asset allocation model that regularly provides guidelines as to whether the equity proportion of a portfolio should be increased or reduced relative to the proportion of bonds.

### **SUBSIDIARIES**

Alm. Brand Formue A/S, Alm. Brand Pantebreve A/S and Alm. Brand Leasing A/S are subsidiaries of Alm. Brand Bank. Alm. Brand Formue is listed on NASDAQ OMX Copenhagen A/S.

#### **Alm. Brand Formue A/S**

Alm. Brand Formue A/S is a listed company investing in the equity and bond markets. The company was established in 2003 at the initiative of Alm. Brand Bank in collaboration with a number of other banks. The bank holds 44% of the share capital and 70% of the votes and exercises a controlling interest in the company.

#### *Performance*

Alm. Brand Formue recorded a pre-tax profit of DKK 66 million in 2010, against a profit of DKK 85 million in 2009, corresponding to a return on equity of 21%. The bank's share of the profit amounted to DKK 28 million.

The equity gearing was 2.4 at 31 December 2010, against 2.3 at 1 January 2010. The board of directors of Alm. Brand Formue has defined a maximum debt-equity ratio for the company of 4.0. The company makes investments on the basis of advice from Financial Markets.

See [www.formue.almbrand.dk](http://www.formue.almbrand.dk) for additional information.

#### **Alm. Brand Pantebreve A/S**

Alm. Brand Pantebreve was delisted from NASDAQ OMX Copenhagen A/S with effect from 17 December 2010. Following a voluntary public tender offer for the remaining shares of Alm. Brand Pantebreve, the bank had obtained an ownership interest of 94% in November and subsequently initiated a compulsory redemption of the remaining minority shareholders. The company's mortgage deed portfolio was sold to the bank during December 2010. At 31 December 2010, the bank's ownership interest totalled 95%.



#### *Performance*

Alm. Brand Pantebreve incurred a pre-tax loss of DKK 108 million in 2010, against a loss of DKK 155 million in 2009. The bank's share of the loss amounted to DKK 75 million. The company's performance was adversely affected by falling prices in the property market, losses as a result of forced sales and writedowns on the company's portfolio of mortgage deeds.

#### **Alm. Brand Leasing A/S**

Alm. Brand Leasing is wholly owned by Alm. Brand Bank. In 2010, the company converted its activities to operating leases on passenger and commercial cars with related car fleet management for Danish businesses. In 2009, the company decided to terminate its collaboration with car dealers, and the portfolio of financing and lease contracts from this collaboration is treated as a winding-up portfolio. In 2011, the company intends to further expand its market position within car fleet management through a pro-active sales strategy.

Moreover, the company intends to engage in private leases in 2011. This is done on the basis of existing customers and Alm. Brand's customers.

#### *Performance*

The company incurred a loss before tax of DKK 4 million in 2010, against a loss of DKK 39 million in 2009. The performance was the result of restructuring costs, closure of several business areas and sustained large losses and writedowns.

#### **OUTLOOK**

Alm. Brand Bank expects to record a profit of around DKK 45 million before tax and before losses and writedowns. As a result of Amagerbanken's bankruptcy, the forecast includes an expected expense of DKK 25 million for the Danish Depositors' Guarantee Scheme in 2011.

The overall lending portfolio is expected to decline by around DKK 1 billion in 2011, and the restructurings and cost savings implemented are expected to have a favourable impact on the bank's performance.

#### *Expected losses and writedowns until end-2012*

After the impairment writedowns made in 2010, management estimates that losses and writedowns for the period 1 January 2011 to 31 December 2012 will amount to around DKK 550 million.

The amount of impairment writedowns on loans and credit losses on mortgage deeds is subject to considerable uncertainty and depends on general economic developments. The continuing difficult economic conditions affecting the agricultural segment may have an adverse impact on this forecast. The estimates are based on economic trend assumptions of modest positive GDP growth continuing in the coming years, a stable interest rate level, unchanged property prices and unchanged unemployment figures.

The full-year profit forecast until end-2012 entails an estimated need for a DKK 350 million capital injection in order to comply with the bank's aim of a solvency ratio which is at least 3 percentage points higher than the bank's individual solvency need.

## LENDING PORTFOLIO

At 31 December 2010, the bank's lending portfolio amounted to DKK 12.7 billion. The bank's total writedowns and identified losses on the lending and guarantee portfolio amounted to an expense of DKK 157 million in Q4 2010, of which DKK 108 million was attributable to identified losses.

For 2010, total writedowns and identified losses amounted to an expense of DKK 908 million. Of this amount, identified losses amounted to DK 198 million. The total losses and writedowns of DKK 908 million equalled 6.5% of the average lending portfolio in 2010.

As a result of the bank's strategy, most lending segments are being wound up. As part of the implementation of a controlled

winding up of the individual exposures, the bank has granted, and will continue to grant, loans as part of its credit defence efforts in relation to the bank's collateral. This means that lending may increase in the individual segments, although the lending segment is being wound up.

The table below shows a pro rata consolidated segment-by-segment breakdown of the bank's lending portfolio. The loss and impairment ratio is calculated relative to average lending during the period. The performance of the individual lending segments in 2010 is discussed in the following sections.

Of the total lending portfolio of DKK 12.7 billion, DKK 9.1 billion is being wound up.

DKKm	Lending year-end		Share of portefolie (%)	Losses and writedowns				Total 2010	Loss ratio (%)
	2009	2010		Q1	Q2	Q3	Q4		
Retail lending	3,356	3,261	25.6 %	18	- 18	3	26	29	0.9 %
Car finance	994	623	4.9 %	5	0	3	3	11	1.3 %
Agriculture	1,125	1,153	9.0 %	6	9	14	45	74	6.5 %
Other commercial lending*)	1,245	1,029	8.1 %	6	21	- 2	4	29	2.5 %
Security financing	3,756	2,412	18.9 %	73	120	182	5	380	12.3 %
Investment properties	1,791	1,604	12.6 %	- 42	- 43	112	4	31	1.8 %
Residential mortgage deeds**)	1,889	1,619	12.7 %	32	35	- 27	32	72	4.1 %
Commercial mortgage deeds**)	338	571	4.5 %	17	29	117	5	168	37.0 %
Property development projects	515	466	3.7 %	4	11	42	11	68	13.9 %
The Private Contingency Association	-	-	-	0	3	21	22	46	-
Total - excl. Reverse Transactions	15,009	12,738	100.0 %	119	167	465	157	908	6.5 %
Reverse Transactions	15	-	0.0 %	-	-	-	-	-	-
Total	15,024	12,738	100.0 %	119	167	465	157	908	6.5 %

\*) Including minority interest's share of the bank's loans and advances to the subsidiary Alm. Brand Formue.

\*\*\*) Loans and advances at 31 December 2009 are inclusive of minority interest's share of the bank's loans and advances to the subsidiary Alm. Brand Pantebreve.



### Lending to private customers

The portfolio is geographically diversified across Denmark. Total loans and advances to private customers at 31 December 2010 were on a par with 31 December 2009.

Declining property prices since 2008 have increased the amount of unsecured credit in the bank's private customer exposures. Default by private customers, among other things due to unemployment, divorce or death, may cause the bank to incur losses. However, the ability of the bank's private customers to pay is assessed to have remained largely unchanged in 2010, but the bank has experienced an increase in the number of exposures transferred to collection and therefore increased writedowns in the form of collective impairment charges in Q4 2010.

In 2010, losses and writedowns amounted to DKK 29 million, equivalent to 0.9% of the average portfolio.

### Car finance

The car finance portfolio is mainly anchored in the subsidiary Alm. Brand Leasing. The bank offers car loans through the bank's own branches. As a result of the cessation of financing through car dealers, the portfolio has declined.

In 2010, losses and writedowns amounted to DKK 11 million, equivalent to 1.3% of the average portfolio. The impairment writedowns were primarily attributable to the winding up of defaulting agreements.

### Agriculture

As a result of the bank's strategy, no new agricultural customers are accepted, and the business volume with existing customers is expected to be phased out over a number of years. In 2010, losses and writedowns amounted to DKK 74 million, equivalent to 6.5% of the average agricultural portfolio. Impairment writedowns in Q4 2010 were increased due to the continuing difficult conditions affecting agricultural customers.

### Other commercial lending

As a result of the bank's strategy, no new commercial customers are accepted, and the business volume with existing customers will be phased out over a number of years.

The portfolio under other commercial lending consists partly of loans to small businesses and partly of syndicated loans to medium-sized Danish businesses. In addition, the portfolio consists of commercial car and equipment leases established through Alm. Brand Leasing and the share of the bank's lending to Alm. Brand Formue attributable to minority interests.

At 31 December 2010, the share of the bank's lending to Alm. Brand Formue attributable to minority interests totalled DKK 254 million, against DKK 237 million at 31 December 2009. Alm. Brand Formue generated a satisfactory performance in 2010, and the bank recognised no impairment writedowns on loans to the company.

In 2010, losses and writedowns amounted to DKK 29 million, equivalent to 2.5% of the average portfolio.

### Security financing

This portfolio consists of investment commitments secured against mortgage deeds as well as equities and bonds.

Mortgage deed exposures represent approximately 80% of this portfolio. Measured in terms of market value, commercial mortgage deeds represent approximately 30% of the mortgage deed portfolio. All mortgage deeds in arrears are measured individually, and mortgaged shares listed on recognised stock exchanges are measured at their fair value.

At 31 December 2010, the bank recognised impairment writedowns on commitments showing signs of weakness. This resulted in impairment writedowns of DKK 380 million, corresponding to 12.3% of the average portfolio. The writedowns were attributable to mortgage deed debtors defaulting on their loans and to a declining excess cover on the exposures as a result of price falls on securities.

An amount of DKK 1.3 billion was wound up on the portfolio in 2010. These commitments were mainly transferred to the residential and commercial mortgage deed segments.

#### **Investment property**

The portfolio comprises lending for investment properties, primarily within retail trade and rentals. Danish properties make up some 70% of the portfolio, while the remaining 30% is made up of German properties with Danish debtors. The future strategy does not include investment property funding.

In 2010, the bank recognised losses and writedowns in the amount of DKK 31 million, equivalent to 1.8% of the average portfolio.

#### **Residential mortgage deeds**

This segment represents the bank's portfolio of mortgage deeds secured primarily against single-family houses, commonhold flats and summer houses. The properties are located throughout Denmark. The bank does not buy new mortgage deeds, but in December 2010 it acquired the mortgage deed portfolio of Alm. Brand Pantebreve as part of a restructuring plan that formed part of the bank's tender offer to the remaining shareholders of Alm. Brand Pantebreve. This portfolio is being wound up, but new mortgage deeds may be added when the bank winds up an investment facility whose collateral security consists wholly or partly of mortgage deeds.

The bank has updated the method of calculating residential and commercial mortgage deeds. Until the third quarter of 2010, residential mortgage deeds also comprised mortgage deeds in which the debtor was a private customer but the mortgaged property was a commercial property. This was changed with effect from the third quarter of 2010 when such mortgage deeds began to be categorised as commercial mortgage deeds. The change was implemented in the third quarter of 2010, resulting in a transfer of residential mortgage deeds in the order of DKK 190 million to commercial mort-

gage deeds. Moreover, losses and writedowns in the amount of almost DKK 40 million were transferred.

The portfolio is marked to market on a current basis using a cash flow-based pricing model, which considers factors such as estimated early redemptions and credit losses. Individual writedowns are taken on mortgage deeds in arrears for an extended period of time or showing characteristic signs of weakness.

At 31 December 2009, loans comprised the bank's mortgage deeds as well as the share of the bank's lending to Alm. Brand Pantebreve attributable to minority interests. At 31 December 2010, loans comprised the bank's portfolio of mortgage deeds, as the bank had acquired Alm. Brand Pantebreve's mortgage deed portfolio.

In 2010, losses and writedowns amounted to DKK 72 million, equivalent to 4.1% of the average portfolio.

#### **Commercial mortgage deeds**

This segment comprises the bank's portfolio of commercial mortgage deeds secured against three types of property: residential rental property, commercial property for office, trade and industrial use as well as land and mixed residential/commercial property. Land and mixed residential/commercial property covers around 25% of the overall portfolio, while residential rental property and commercial property account for equal shares of the remaining portfolio.

The bank no longer participates in the market for commercial mortgage deeds, but in December 2010 it acquired the mortgage deed portfolio of Alm. Brand Pantebreve as part of a restructuring plan that formed part of the bank's tender offer to the remaining shareholders of Alm. Brand Pantebreve. This portfolio is being wound up, but new mortgage deeds may be added when the bank winds up an investment facility whose collateral security consists wholly or partly of mortgage deeds.

In 2010, the portfolio of commercial mortgage deeds grew by DKK 233 million relative to 31 December 2009. Approximately DKK 190 million of this amount was transferred from residential mortgage deeds as a result of a change in the method of calculating residential and commercial mortgage deeds implemented in the third quarter of 2010. The remainder of the increase recorded in 2010 was attributable to the fact that the bank has wound up investment exposures secured wholly or partly against mortgage deeds.

At 31 December 2009, loans comprised the bank's mortgage deeds as well as the share of the bank's lending to Alm. Brand Pantebreve attributable to minority interests. At 31 December 2010, loans comprised the bank's portfolio of mortgage deeds, as the bank had acquired Alm. Brand Pantebreve's mortgage deed portfolio.

In 2010, losses and writedowns amounted to DKK 168 million, equivalent to 37.0% of the average portfolio.

#### **Property development projects**

The portfolio consists of a limited number of property development projects. Financing of property projects is not a part of the bank's future strategy, and the bank therefore does not participate in the financing of new property projects. However, the bank will finance the completion of ongoing projects pursuant to agreements already made.

The increase in lending from 31 December 2009 to 31 December 2010 was due to existing exposures, which were largely in line with the previously accepted, agreed and expected budgets. When the projects have been completed, the loans and advances are expected to decline significantly.

In 2010, losses and writedowns amounted to DKK 68 million, equivalent to 13.9% of the average portfolio.

#### **The Private Contingency Association / Finansiell Stabilitet A/S**

In 2010, provisions in the amount of DKK 45 million were made for losses on the guarantee provided vis-à-vis Finansiell Stabilitet A/S. In addition, the bank made a DKK 0.5 million provision for losses on other guarantees.

#### **Reverse transactions**

At 31 December 2010, reverse transactions amounted to DKK 0, a decline of DKK 15 million relative to 31 December 2009.

#### **WINDING-UP PORTFOLIO**

Historically as well as in 2010, the bank's losses and provisions were primarily related to the areas which are being wound up. The bank's measures to mitigate future losses on the winding-up portfolio are described below.

#### **Winding-up process**

Completing a controlled winding-up process focused on limiting future losses and handling the bank's impairment writedowns so as to minimise the risk of losses will be crucial for the bank's financial results in the years ahead. This requires, among other things, proactive steps vis-à-vis mortgage deed customers in arrears and other non-performing exposures.

The bank has placed the responsibility for winding up loans for property development projects, investment exposures and mortgage deeds with the bank's Credit Secretariat. The Credit Secretariat seeks to wind up the individual exposures so as to mitigate potential losses as much as possible, and the secretariat is staffed by employees specialised in financing and in the management and operation of the asset types mortgaged. In addition, parts of the discontinued business areas and exposures (including agricultural customers) will be wound up in close coordination with the Credit Secretariat.

### Activities in relation to mortgage deeds

The bank's activities in relation to reducing its mortgage deed exposure consist of the "ambulance service" in relation to private mortgage deeds and tighter follow-up and monitoring procedures for commercial mortgage deeds and loans for investment in mortgage deed exposures.

Private mortgage deed debtors are offered advice on their financial situation and alternative sources of finance. The bank believes that such advice in many cases improves the debtors' ability to repay their debts and thus minimises the risk of future losses to the bank. If the bank is able to offer a home loan based on the debtor's financial situation, the mortgage deeds will be redeemed with a view to converting all of the debtor's mortgage credit debt and home loan debt with the bank. Otherwise, the mortgage deed will continue unchanged. These efforts will be aimed at all private mortgage deed debtors.

In addition, the bank is focused on optimising the management of mortgage deeds, including enforcement and handling of mortgage deeds in arrears.

### Overall mortgage deed exposure

The market value of the bank's overall exposure to mortgage deeds was approximately DKK 4.1 billion at 31 December 2010. The exposure is distributed on the bank's own portfolio of mortgage deeds and loans for investment in mortgage deed exposures.

### Market value of mortgage deeds at 31 December 2010

DKKm	Private	Commercial	Total
<b>Alm. Brand Bank</b>			
Own portfolio	1,615	571	2,186
Security for loans in mortgage exposure	1,369	588	1,957
Total exposure	2,984	1,159	4,143

*In addition, the bank has an overall exposure to debt instruments with a market value of DKK 48 million, DKK 4 million of which is related to the bank's own portfolio.*

Access to mortgage deeds for which the right of disposal does not rest with the bank's own portfolio is expected to take place through acquisition of weak investment exposures. Mortgage deeds will be transferred to the bank's own portfolio through a controlled close-down of weak investment exposures. This will strengthen the possibilities of handling weak mortgage deeds and is expected to further increase net interest income in the bank.

Of the overall mortgage deed exposure, private mortgage deeds represent approximately DKK 3.0 billion including mortgage deeds in investment exposures. It is expected that, over the coming years, some of the private mortgage deeds will be redeemed and replaced by home loans provided by the bank, thereby supporting the bank's strategy of increasing loans to private customers.





## LIFE INSURANCE

The life insurance operations of Forsikringselskabet Alm. Brand Liv og Pension A/S consist of life insurance, pension savings, pension insurance and health and personal accident insurance. Together with Alm. Brand Bank's pension savings activities, the life insurance business makes up the pension business unit. The financial results of health and accident insurance activities and banking activities form part of the financial statements of the non-life insurance company and the bank, respectively.

### MARKET

The pension market consists of three types of schemes:

- Individual schemes without restrictions that may be paid by companies or by private individuals
- Mandatory or voluntary corporate schemes under which employees are covered by a pension agreement between the company and a pension provider and
- Labour market-related schemes for which membership of a particular pension company or pension fund is mandatory.

The product range comprises insurance cover and various types of savings. The most important types of insurance are death cover, disability cover, critical illness cover and hospital insurance, whereas savings comprise capital pension plans, instalment pensions and annuity schemes.

Pension savings schemes may be established with life insurance companies, pension funds or banks (capital pension plans and instalment pension plans) and may be based on one of two main principles: The average rate principle or the market rate principle.

The average rate principle implies that customers form part of a closed investment community in which all customers in the group receive the same return and the return is distributed and equalised over time by fixing a rate on policyholders' savings.

The market rate principle implies that each individual customer receives the current market return on his savings.

Conventional pension saving schemes in life insurance companies and pension funds are based on the average rate principle and customers typically have a guaranteed minimum payment, so-called guaranteed benefits. The companies are subject to rules stipulating how large a share of profits may accrue to the company, the so-called contribution principle. Profits in excess of this amount accrue to the customers in the form of bonus allotments.

Savings with banks and the so-called unit linked schemes with insurance companies and pension funds, however, are based on the market rate principle. In unit linked schemes, customers do not own the securities themselves, they receive individual shares, or units, of the funds the company invests in.

### Market share

Alm. Brand Liv og Pension has 100,000 insurance contracts, of which 67,000 pay regular premiums.

In terms of regular payments made to tax-deductible insurance schemes distributed on private schemes and employer schemes, the life group has the following approximate market shares:

- |                                      |     |
|--------------------------------------|-----|
| • Private capital pension schemes    | 9%  |
| • Private instalment pension schemes | 3%  |
| • Employer schemes                   | <1% |

### STRATEGY

Alm. Brand is working to expand its position as an attractive pension provider focusing on providing personal advice to customers, giving them an understanding of and the freedom to choose across the traditional lines separating the banking and insurance industries.

The group's pension operations are focused on individual schemes and on small and medium-sized corporate schemes. The target groups are private individuals, owners and employees of small businesses and farmers who are all offered a pension concept tailored to their specific needs. The group has opted not to offer labour market pensions per se.

Pension savings can be tailored completely to individual customer needs and requirements and may be placed with the life insurance company or with Alm. Brand Bank. Pension funds in Alm. Brand Bank are covered, without limitation, by the depositors' guarantee scheme.

The life insurance company offers all essential types of insurance cover and savings types, and the product offering is reviewed on a regular basis. The life insurance company also offers an average rate product with guaranteed benefits. Guarantees for new schemes are determined in accordance with the Danish Financial Supervisory Authority's guidelines on the provision of guarantees. At the beginning of 2011, guarantees for new schemes are based on a rate of 1.5%. This rate is expected to be reduced to 0.5% by 1 April 2011 at the latest, however.

More and more customers of the Alm. Brand Group prefer to place their pension savings in unguaranteed or market rate products, including in the Alm. Brand Investment Scheme, which allows them to adapt the investments to their own personal circumstances and preferred risk profile.

The bank offers securities custody accounts in which the individual customer holds the securities directly. The most important part of the savings is conducted through the Alm. Brand Investment Scheme in which the customer may choose to let Alm. Brand manage investments, etc. The customer may also choose to make the investments himself in whole or in part.

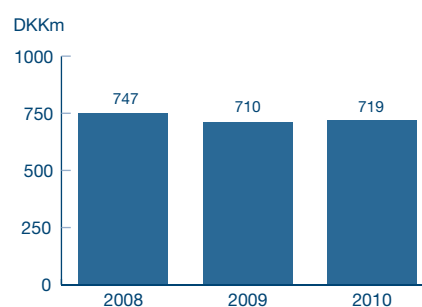
**Distribution**

Products are distributed through the Alm. Brand Group's own distribution network. The life insurance company has opted not to conduct sales through brokers, primarily because the life group's target group lies outside the customer segment typically represented by the brokers.

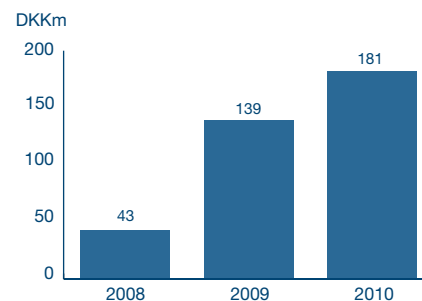
**Investment strategy**

The investment strategy is defined separately for shareholders' equity funds and customer funds. Shareholders' equity investment assets are generally placed in short-term interest-bearing instruments.

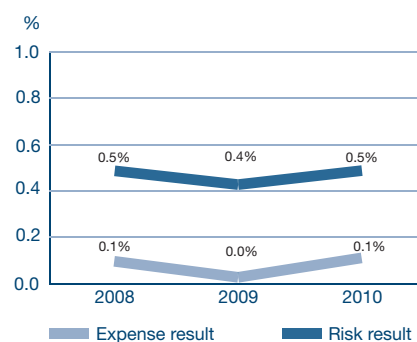
**GROSS PREMIUMS**



**PROFIT BEFORE TAX**



**KEY FIGURES**



Investment of customer pension funds takes account of the nature of the products and the guaranteed benefits provided. Funds are invested mainly in bonds, shares and real property. A small portion is placed in credit bonds and emerging markets bonds. In addition, funds are invested in financial instruments. For example, swaps and swaptions are used to achieve a balance between investments and liabilities.

#### **Division of the guaranteed portfolio**

As from 1 January 2011, customers with average rate products have been divided into a number of interest rate groups according to the rate of interest on which the individual customer's guaranteed benefits are based. The distribution of investments depends on the interest rate group and is determined with the intention of creating the highest possible return, taking into account the liabilities and the capital tied up in that respect and bearing in mind that the product is principally aimed at customers with low risk tolerance.

Regardless of fluctuations in the market return, the aim is to fix a rate on policyholders' savings that does not change substantially from one year to the next. The rate on policyholders' savings is fixed separately for each interest rate group at the beginning of the year. If necessary, Alm. Brand Liv og Pension may, however, change the announced rate on policyholders' savings during the period.

#### **Business partners**

In a few areas, the life group has chosen, based on competitive or financial considerations, to use business partners instead of offering the product/service in-house. For example, health insurance is offered in collaboration with If Skadesforsikring under the product name of Alm. Brand Sundhedsforsikring.

#### **Expense and risk results**

The aim is to at least balance the expense result while keeping the company's expense loading competitive. Moreover, we have a goal of achieving a positive insurance risk result. We therefore maintain an acceptance policy requiring disclosure of personal health information, while limiting the risk at the individual customer level.

#### **RETURN ON EQUITY PRINCIPLES**

The Executive Order on the Contribution Principle issued by the Danish Financial Supervisory Authority lays down the return on equity guidelines, i.e. the return Alm. Brand may generate on the capital invested. The Executive Order was amended effective from 1 January 2011.

#### **Contribution principles for 2010**

In 2010, the return on equity principle for Alm. Brand Liv og Pension was to achieve a return on equity corresponding to the investment return on the assets making up the company's shareholders' equity plus a risk premium of 0.5% of the average life insurance provisions net of reinsurance exclusive of the collective bonus potential and any use of the bonus potential on paid-up policies plus the full expense result net of reinsurance after bonuses and 25% of the risk result net of reinsurance before bonuses.

Excluding the collective bonus potential and any applied bonus potential on paid-up policies provides a better correlation between the company's risk and the payment in the form of a risk premium.

The risk premium was calculated only on the basis of the portfolio of policies with bonus entitlement. For policies without bonus entitlement, including life-long annuities without bonus entitlement, the result – which might be positive or negative – was fully allocated to equity.

This profit principle means that Alm. Brand charged any losses against the expense result and, similarly, received any profits. That serves to separate costs from investment return. The principle ensures greater transparency for the customers and should be seen in the context of the company's other initiatives to promote openness and transparency.

The Danish Financial Supervisory Authority lays down guidelines on when the risk premium may be included in the profit for a specific financial year. In simplified terms, the allocation of the risk premium required the investment return and the release of additional provisions – positive or negative – to be higher than the average rate of interest on which the guaranteed benefits provided to customers are based. At 31 December 2010, this rate of interest was 2.99%.

If the investment return did not permit allocation of a risk premium, the shortfall in return on equity was taken to a "shadow account". The shadow account may be regarded as a receivable, which is transferred to shareholders' equity as and when made possible by the financial results of subsequent years.

#### **Contribution principles for 2011**

The return on equity principles for 2011 have been changed as a consequence of the changed contribution rules.

	DKKm	2010	2009	2008	2007	2006
<b>INCOME STATEMENT</b>						
	Premiums	719	710	747	750	736
	Investment return after allocation of interest	786	780	37	57	91
	Insurance benefits	- 1,056	- 889	- 981	- 918	- 806
	Change in life insurance provisions	65	- 233	- 156	188	256
	Change in collective bonus potential	- 292	- 225	413	61	- 160
	Insurance operating expenses	- 73	- 67	- 72	- 82	- 77
	Profit/loss on reinsurance	2	5	12	17	17
	<b>Technical result</b>	<b>151</b>	<b>81</b>	<b>0</b>	<b>73</b>	<b>57</b>
	Return on investment allocated to equity	30	58	43	31	24
	<b>Profit before tax</b>	<b>181</b>	<b>139</b>	<b>43</b>	<b>104</b>	<b>81</b>
	Tax	- 50	- 26	- 17	- 35	- 15
	<b>Profit after tax</b>	<b>131</b>	<b>113</b>	<b>26</b>	<b>69</b>	<b>66</b>
<b>BALANCE SHEET</b>						
	Total provisions for insurance contracts	11,493	11,263	10,801	11,049	11,294
	Total shareholders' equity	1,122	1,192	1,079	903	1,114
	Total assets	13,131	12,691	12,101	12,168	12,482
<b>KEY RATIOS</b>						
	Return before tax on pension returns	7.6%	8.2%	1.1%	0.8%	1.0%
	Return on customer funds before tax on pension returns	8.1%	8.5%	0.8%	0.6%	0.9%
	Return on equity funds before tax on pension returns	3.2%	6.3%	6.2%	3.3%	2.2%
	Return after tax on pension returns	6.7%	7.0%	0.9%	0.7%	0.9%
	Expense ratio on premiums	10.1%	9.5%	9.7%	10.9%	10.3%
	Expense ratio on provisions	0.7%	0.6%	0.7%	0.8%	0.8%
	Expenses per individual insured (rounded to nearest DKK)	811	723	748	824	708
	Expense result	0.1%	0.0%	0.1%	0.0%	0.1%
	Insurance risk result	0.5%	0.4%	0.5%	0.5%	0.4%
	Bonus rate	5.1%	2.1%	0.0%	4.0%	4.7%
	Equity reserves	12.7%	12.9%	11.9%	10.2%	11.2%
	Capital base reserves*	6.0%	6.2%	7.2%	4.2%	3.3%
	Solvency ratio*	227%	230%	252%	193%	165%
	Return on equity before tax	16.6%	12.2%	4.4%	11.6%	7.0%
	Return on equity after tax	12.0%	9.5%	2.7%	7.7%	5.8%
	Return on customer funds after deduction of expenses before tax	7.3%	8.1%	1.2%	- 0.6%	0.3%
	Return on subordinated loan capital before tax	- 2.2%	- 3.0%	- 5.7%	- 4.6%	

Financial highlights and key ratios have been calculated in accordance with the Executive Order on the presentation of financial reports by insurance companies and profession-specific pension funds.

\*The capital base is reduced by the amount of proposed dividends.

As from 1 January 2011, customers are divided into a number of contribution groups based on rate of interest, insurance risk and expenses. The risk premium on shareholders' equity is calculated separately for each group. Similarly, any shadow account, collective bonus potential, transfer and surrender charge, etc. is determined separately for each contribution group.

The risk premium for 2011 has been determined as follows:

- interest rate groups: 0.1% of the average life insurance provisions net of reinsurance exclusive of collective bonus potential and any use of the bonus potential on paid-up policies;
- insurance risk groups: 100% of the risk result net of reinsurance after bonuses;
- expense groups: 100% of the expense result net of reinsurance after bonuses.

Over a period, the changed contribution principle is expected to result in the same return on equity as the previous principles.

## PERFORMANCE

The overall pre-tax profit for 2010 was DKK 181 million, against DKK 139 million in 2009. Shareholders' equity received the full risk premium in 2010. In addition, DKK 57 million was reversed from the shadow account. Moreover, the performance was positively affected by the result of life-long annuities without bonus entitlement, which realised a profit of DKK 13 million.

The profit for the year corresponded to a return on equity of 17%, against 12% in 2009, which was highly satisfactory.

It was also highly satisfactory that the collective bonus potential was up DKK 292 million to a total of DKK 517 million. The positive development in the collective bonus potential was mainly due to the fact that the investment return was higher than the rate on policyholders' savings, which was 3.5% before tax on pension returns.

It was not necessary to apply the bonus potential on paid-up policies in 2010.

### Premiums

Gross premiums totalled DKK 719 million against DKK 710 million in 2009, equivalent to an increase of 1.0%.

The group aims for Alm. Brand Liv og Pension to generate growth but for an increasing proportion of overall pension savings to be placed in market rate products, including particularly in the Alm. Brand Investment Scheme set up with Alm. Brand Bank.

Contributions to bank-based schemes increased by 12%. This is a positive trend, although the overall level of contributions has yet to reach the level prior to the financial crisis.

The total amount of pension contributions, including investment schemes with the bank and premium income in the life insurance company, was DKK 905 million, against DKK 876 million in 2009, an increase of 3.3%.

The performance of total premiums received thus fell slightly short of expectations, primarily due to the general economic slowdown. Customers are still somewhat reluctant to set up new schemes, and some customers choose to stop their payments on existing schemes.

### Investment return

The return on investment assets attributable to shareholders' equity was DKK 30 million, compared with a return of DKK 58 million in 2009, equivalent to a return ratio of 3.2 in 2010, against 6.3 a year earlier. As compared with the benchmark consisting of short-term government bonds, the return was not completely satisfactory.

The rate of interest paid to customers' pension savings in 2010 was 3.5% before tax on pension returns.

The return on investment assets – before tax on pension returns – attributable to policyholders was DKK 925 million, against DKK 928 million in 2009. The rate of return before tax on pension returns was 8.1% in 2010, against 8.5% in 2009.

The return for the year and the year-end distribution of investments attributable to policyholders are set out below:

	Share at year-end	Return
Bonds etc.	74 %	7.9 %
Equities	12 %	13.1 %
Properties	14 %	5.8 %
Total	100 %	8.1 %

*Note: Assets and return are calculated on the basis of exposure values*



The return on the equity portfolio was affected by favourable equity market developments. The overall return was satisfactory relative to the benchmark.

The return on the property portfolio was adversely impacted by a low return on equities in the property sector, while the return on investment property was satisfactory.

The return on the bond portfolio was favourable affected by the declining level of interest rates as well as by the return on credit bonds and emerging market bonds, which together represented around 5% of total invested customer funds. The interest return was satisfactory relative to the benchmark.

#### **Benefits paid**

Benefits paid amounted to DKK 1,056 million in 2010, against DKK 889 million in 2009.

The amount of benefits paid increased, primarily as a result of more surrenders than in the year before.

Part of the increase was due to a number of customers postponing surrender in 2009 due to the transfer and surrender charge then in force. Since the transfer and surrender charge was cancelled in the autumn of 2009, the volume of surrenders has therefore been above normal. The volume of surrenders was expected to drop to a lower level, but this has yet to happen.

#### **Life insurance provisions**

Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted by the adjusted yield curve published by the Danish Financial Supervisory Authority for discounting provisions, which is applicable until the final Solvency II rules take effect.

Total provisions fell by DKK 65 million. The reduction was attributable to the increase in benefits paid.

#### **Collective bonus potential**

The collective bonus potential increased by DKK 292 million in 2010 to stand at DKK 517 million at 31 December 2010, equivalent to 5.1% of provisions.

#### **Costs**

Acquisition costs and administrative expenses totalled DKK 73 million in 2010, against DKK 67 million in 2009. The increase relative to 2009 was attributable to higher acquisition costs as a result of a higher volume of new business written.

#### **Expense and risk results, net of reinsurance**

The expense result, which expresses the difference between expense loading and expenses incurred, amounted to a profit of DKK 15 million, against DKK 8 million in 2009. The expense ratio (expenses as a percentage of gross premium income) was 10.1 against 9.5 the year before. The expense per individual insured was DKK 811 against DKK 723 in 2009. The expense result was highly satisfactory.

The risk result, which expresses the difference between risk premiums and claims expenses, amounted to DKK 52 million, as compared with DKK 50 million in 2009. The figure consisted of a DKK 49 million surplus on death cover and a DKK 3 million loss on disability cover. The overall risk result was highly satisfactory.

The expense and risk results were favourably affected by an adjustment to the new contribution rules.

#### **Reinsurance**

The reinsurance result amounted to a DKK 2 million gain. Reinsurance received in relation to permanent disability claims influenced the profit for the year.

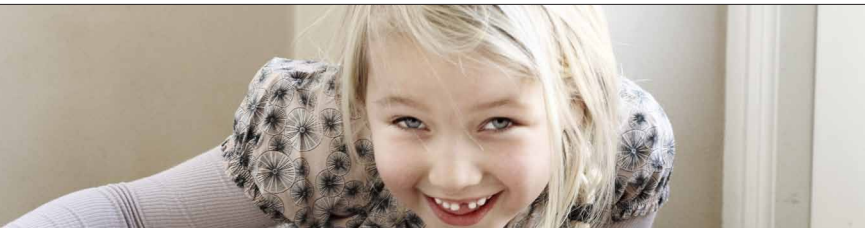
#### **BALANCE SHEET**

As at 31 December 2010, the life group's shareholders' equity was DKK 1,122 million. Capital base reserves amounted to 6.0% at 31 December 2010 with a solvency ratio of 227%.

#### **MAJOR EVENTS**

##### **Industry standard for life expectancy curve**

At 1 July 2011, the Danish Financial Supervisory Authority will introduce a common industry standard for life expectancy projections for Danish pension contributors. Life expectancy is of particular importance to the size of provisions in relation to life-long pension plans.



The new common standard will be of very little significance to Alm. Brand Liv og Pension. This is partly due to the fact that the company's present life expectancy curve is very close to the industry standard set out by the Danish Financial Supervisory Authority and partly to the fact that Alm. Brand only has relatively few customers with life-long pension plans.

### Openness and transparency

In 2010, the company developed an internet site giving all customers access to information about their pension plans.

The solution is one of the best in the industry, among other things offering:

- an entirely new overview of key data;
- key figures, including expenses expressed in Danish kroner and in percent of savings;
- straight information on insurance and expenses; and
- possibility of following developments in savings on a month-by-month basis.

In other words, it gives the customers clear and easy access to the most important information about their pension plans. The content and its presentation meet the demands for openness and transparency expressed by customers and consumer organisations.

Technically, the solution is based on a new internet platform for the Alm. Brand Group. This ensures the future development, flexibility and efficiency of the system.

### New contribution rules

The Danish Financial Supervisory Authority in April issued a new Executive Order on the Contribution Principle effective at 1 January 2011. The executive order provides guidelines for the distribution of profits between customers and equity as well as among individual customers. Alm. Brand Liv og Pension was in dialogue with the Financial Supervisory Authority early on to determine the scope of the new rules and on this basis prepared descriptions of the division into contribution groups, transitional rules, IT system requirements,

new risk premium rules, etc. Overall, it was a very comprehensive restructuring process, demanding considerable IT resources.

The planning, development and implementation of the new rules have proceeded to our full satisfaction.

Customers have been divided into a number of contribution groups based on rate of interest, insurance risk and expenses.

At 1 January 2011, the company has selected the following contribution groups.

Three interest rate groups have been defined based on the customers' average basic rate of interest, the basic rate of interest being the rate used to calculate guaranteed benefits:

- |             |                      |
|-------------|----------------------|
| • up to     | 2.51%;               |
| • between   | 2.51% and 3.51%; and |
| • more than | 3.51%.               |

Insurance risk groups have also been defined:

- death;
- disablement;
- survival (older annuities); and
- survival (newer annuities).

In addition, one expense group has been defined. The grouping ensures a reasonable distribution of profits and losses among the customers in the group.

In simplified terms, the division corresponds to the company being divided into a number of companies, each with their own financial statements. This means that the risk premium on shareholders' equity is calculated individually for each contribution group. It is no longer clearly defined whether a risk premium will be allocated to shareholders' equity for a given year, as a situation may arise in which some groups are able contribute a risk premium to shareholders' equity while others have to transfer their result to a shadow account in whole or in part.

For the interest rate groups, this also means that the investment policy is adapted to the circumstances of the individual groups. A group with a high basic rate of interest will, all other things being equal, have a larger proportion of interest-bearing instruments and a smaller proportion of equities, if indeed any at all, than a group with a low basic rate of interest.

The investment strategy for all groups is aimed at optimising the return relative to the capital provided.

As from 2011, the rate on policyholders' savings is also determined for each interest rate group individually.

#### **Solvency II / QIS5**

The capital requirements will be changed significantly with the implementation of the coming Solvency II rules, and it is therefore important to consider these already.

The company regularly conducts impact studies, most recently the so-called QIS5 studies, and is in the process of developing models so as to be prepared for Solvency II, which is expected to come into force on 1 January 2013. During 2010, great progress was made in this area.

#### **Equalisation tax for pension benefit disbursements**

In April 2010, a political agreement was concluded on a so-called equalisation tax for large pension benefit disbursements. After a number of adjustments, the agreement was put into statutory form. The agreement entails that pension benefits in excess of DKK 362,800 annually will be subject to a 6% equalisation tax in the period from 2011–2014. The tax will subsequently be scaled down over five years.

Towards the end of the year, it became possible to extend the disbursement period so that a larger part of the benefits can be disbursed at a time when the equalisation tax has been reduced or entirely phased out.

In its final form, the tax is not expected to affect the company's future pension contributions.

#### **OUTLOOK**

Alm. Brand Liv og Pension expects a profit of 70 million before tax and excluding health and personal accident insurance in 2011.

Whether the risk premium is obtained depends on the results of the individual contribution groups.

The new return on equity principle gives greater weighting to the results of the basic insurance business, i.e. the results of the insurance risk groups. The results of interest rate groups are given less weighting.

Alm. Brand Liv og Pension expects to be able to obtain the full risk premium for all contribution groups in 2011. The results of the interest rate groups are entirely dependent on developments in the financial markets, however.

Based on the increased focus on pension savings in Alm. Brand Bank, particularly through the investment scheme, the total premium volume in Alm. Brand Liv og Pension is expected to grow by only a small margin in 2011.

Any new business opportunities that may arise as a result of stricter rules on early retirement benefits, state pension, etc. are not included in the projections for 2011.

# RISK MANAGEMENT

Managing the Alm. Brand Group's risk exposure is a key executive focal area, because non-controlled developments of various risks may have a substantial impact on consolidated financial performance and solvency and, by extension, future business opportunities.

The Board of Directors defines and approves the group's overall policy for assuming risk and sets up the overall risk guidelines as well as the reporting requirements. The management board of each subsidiary defines the operational risk management on this basis.

The Alm. Brand Group assumes a number of risks. These include the large variation of business risks related to operating the different business areas and the more consistent and uniform financial risks related to handling the group's substantial cash flows and comprehensive investment strategy.

Alm. Brand has set up an intra-group risk management committee to ensure coordination and uniformity in the group companies with respect to assuming, calculating and reporting risk. In addition, an approval committee for financial products has been set up. This committee is responsible for ensuring that business procedures, processing routines, etc. are in place before new products or activities are implemented, thereby helping to mitigate operational risk.

The handling of business risks is managed in each individual business area. The managements of each business area are thus responsible for identifying, quantifying and monitoring all risks relevant to the individual business areas and for defining and implementing relevant risk-management controls and strategies.

The current identification and monitoring of market risks take place in interaction with the individual business areas and the cross-functional risk management department, which has a coordinating responsibility for the management of market risk at group level. The risk management department performs daily calculations and controls of market risk for the business areas.

In addition, Alm. Brand has set up an investment committee, the purpose of which is to handle the strategic allocation of

assets in the group. The investment committee is responsible for the group's investment activities and determines them on the basis of limits and policies adopted by the boards of directors of the individual companies.

This cross-firm compliance function has been established to ensure that Alm. Brand observes effective legislation, regulations, internally defined rules and guidelines and ethical standards.

Independently of management-implemented controls, the internal auditors conduct regular independent reviews of the group's control procedures and monitor compliance with management's guidelines.

## INDIVIDUAL SOLVENCY NEED

The boards of directors of Alm. Brand A/S, Alm. Brand Forsikring A/S, Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S consider their individual solvency needs on a regular basis.

The individual solvency need of the bank is calculated on the basis of a stress test. The non-life and life insurance companies also use a stress test based on trial calculations related to the Solvency II rules.

The calculation of the individual solvency need of Alm. Brand Bank is provided in the Alm. Brand Group's Risk and Capital Management Report for 2010, which is available at [www.almbrand.dk/risiko](http://www.almbrand.dk/risiko).

## GOALS AND STRATEGY

We take various types of calculated risk in support of the group's long-term business objectives. The risks encountered in the various business areas differ considerably, but generally risk parameters can be divided into four types of risk:

- Business risk
- Financial risk
- Liquidity risk
- Operational risk



DKKm	Non-life	Bank	Life Share- holders' equity	Other	Total	% of Share- holders' equity
<i>Sensitivity information, group</i>						
Risk on shareholders' equity in case of specific events:						
Interest rate increase of 0.7 pct, point	- 66	0	- 14	0	- 80	- 1.7%
Interest rate fall of 0.7 pct, point	38	0	15	0	53	1.1%
Equity price fall of 12%	- 3	- 64	0	0	- 67	- 1.4%
Fall in property prices of 8%	- 2	- 8	0	0	- 10	- 0.2%
Maximum exchange rate loss of 99.5%	- 3	- 14	0	0	- 17	- 0.4%
Loss on counterparties of 8%	- 17	- 34	0	0	- 51	- 1.1%
Loss on credit of 8%	- 64	- 60	- 6	0	- 130	- 2.7%
Caststrophic events:						
- one "100-year event"	199	0	0	0	199	4.2%
- two "100-year events"	345	0	0	0	345	7.3%

*The bank's interest rate risk for accounting purposes in case of an interest rate movement of 0.7 of a percentage point totalled DKK 67 million at 31 December 2010. The bank's property risk concerns properties held directly.*

An overview of sensitivity information for the group's most important business risks and financial risks is provided in the table below.

## BUSINESS RISK

Alm. Brand focuses on identifying, measuring and managing business risk and defines precise guidelines for the risks each business area is authorised to accept.

## NON-LIFE INSURANCE

Acceptance and assumption of risk

Alm. Brand writes insurances for private customers and commercial customers, i.e. agricultural customers, small and medium-sized businesses and the public sector. The acceptance policy provides rules for the types and the size of risk that can be written in individual contracts. Written risks are

estimated and assessed for insurance policies (accumulated) that may possibly be affected by the same loss event.

## Reinsurance

To reduce the risk of losses from insurance events, risks exceeding the determined maximum are reinsured. The purpose of the reinsurance programme is to ensure that a single loss event or a random build-up of large losses does not lead to an unacceptable loss of capital, and also to reduce the size of fluctuations in technical results.

The reinsurance programme, including a determination of the group's retention on different insurance events, is approved annually by the Board of Directors and the Management Board. The need for reinsurance is assessed currently based on experience from the programme's efficiency. Market experience, the company's capital resources and prices for reinsurance cover are also included in the assessment.



The reinsurance programme for 2011 is based on the same guidelines as in 2010, but with several minor coverage enhancements. For 2011, Alm. Brand has bought catastrophe reinsurance for up to DKK 4.4 billion with retention of DKK 75 million. Coverage is DKK 400 million for property damage and up to DKK 700 million for personal injury in case of personal accident or industrial injuries. Retention is DKK 30 million and DKK 20 million per insured event, respectively. Moreover, the company has taken out frequency cover on large property claims covering large fire claims between DKK 5 million and DKK 30 million. However, the cover will not take effect until Alm. Brand has incurred claims in the amount of at least DKK 150 million in this interval.

Moreover, the company has bought cover for capturing 'medium-size' cloudburst and snow load claims totalling between DKK 85 and DKK 185 million. Motor (comprehensive and liability) and liability claims in general are covered under a programme with retention of DKK 20 million.

The largest single risk in the non-life business is for windstorm/hurricane losses. This risk is assessed using a number of windstorm scenarios based on the portfolio exposure and on probability calculations. These scenarios show that the current reinsurance programme as a minimum provides cover of claims due to a 200-year windstorm.

The risk to Alm. Brand from a terrorist attack is considered to be largely covered by the newly established terrorism pool and the government guarantee scheme as well as by the reinsurance programme after retention in the relevant programmes or considered to be excepted in the risks insured.

## **BANKING**

Alm. Brand Bank's strategy is focused on lending targeting private customers, leasing, Asset Management and Markets, as is reflected in the types of risk accepted by the bank. Overall, the risks accepted by the bank may be divided into business risks derived from operations, financial risks derived primarily from Asset Management and liquidity risks arising in connection with the financing of operating activities.

Alm. Brand Bank makes it a priority to identify, measure and manage the risks that attach specifically to banking, particularly credit risks. For this purpose, directions are drawn up for the bank's lending operations which are described in a credit policy.

### **Credit policy**

The banking group's credit policy and related guidelines describe the risk profile and the framework constituting the foundation of the granting of loans and the provision of guarantees as well as of the acceptance of other credit risks. The guidelines for providing credit aim to ensure that the banking group is perceived as a responsible and bona fide bank by all customers, business partners, public authorities and competitors. The banking group's Credit Secretariat has the overall responsibility for assessing and following up on the bank's credit exposure, both in terms of individual customers and in terms of loan portfolios.

The credit policy and the guidelines are adapted to the bank's strategy. The guidelines contain specific limits for the individual products offered by the bank and for the customer segments buying the bank's loan products. The bank aims for its earnings on the individual products and customer segments to offset the related risks and the required return on capital.

The banking group's future lending strategy targets private customers but the portfolio still contains loans to commercial customers. The commercial customer portfolio will be phased out in the years ahead.

The bank's loans to private customers are based on disposable income calculations and to a wide extent on the use of credit scoring models which have been developed over a number of years and which are constantly being developed and improved on the basis of empirical data and cyclical changes.

If the changes in individual commitments and objective indicators are considered to warrant impairment of the value of a commitment, the necessary impairment charges will be effected in accordance with the rules in force and based on an assessment of the realisable value of any collateral provided and the expected date of realisation.

As a result of recent years' substantial impairment writedowns and discontinuance of business areas, the lending terms have been significantly tightened and the business areas which the bank intends to pursue in the future similarly narrowed down.

As described in the section on banking, Alm. Brand Bank expects significant impairment writedowns on loans and mortgage deeds in the years ahead.

#### **LIFE INSURANCE**

In Alm. Brand Liv og Pension, the policy is to not write any business without the customer disclosing personal health information. This means that the company has deliberately opted not to write typical labour market pensions, as such pensions may be set up without personal health information.

The principal insurance risks are related to insurances with a guaranteed average benefit. Until 1994, the life group wrote policies with guaranteed benefits of 4.5% after tax on pension returns. From 1994 to 1999, the guaranteed benefit was 2.5%, and since 1999 it has been 1.5%. This rate is expected to be reduced to 0.5% by 1 April 2011 at the latest, however.

In connection with the new Executive Order on the Contribution Principle, Alm. Brand Liv og Pension's portfolio was divided in early 2011 into three groups corresponding to the three levels of guaranteed benefits. The division increases the company's risk, as the buffers can only be used to cover losses within the specific group and no longer throughout the portfolio. However, this risk may be countered by an individual hedging programme for each interest rate contribution group. The risk is measured specifically for each of the three groups. Each group also has its own investment composition which is adjusted to the liabilities.

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative instruments to ensure that interest rate exposure on assets and liabilities is at a similar level. Changes in the value of investment assets resulting from changes in interest rates are therefore partly offset by corresponding changes in the value of the technical provisions and the collective bonus potential. However, shareholders' equity may be significantly affected if the average return generated over the life of the insurances fails to cover the guaranteed benefits.

The investment assets that correspond to Alm. Brand Liv og Pension's shareholders' equity are held in a separate account. At 31 December 2010, this account had a relatively short duration, limiting the risk of price falls triggered by interest rate fluctuations.

## **FINANCIAL RISK**

Financial risk is handled by each individual business area and monitored by the corporate function.

### **Market risk**

The Alm. Brand Group's investment assets are measured at fair value on an ongoing basis. This means that developments in the financial markets influence the group's shareholders' equity and performance. The group is exposed to various kinds of market risk in connection with trading and investing, and as part of its ongoing cash management. The group uses derivative financial instruments to manage and reduce market risk on an ongoing basis.

The purpose of financial risk management is to offset the overall financial risk exposure against assets as well as liabilities in order to strike a satisfactory balance between risk and return. The risk management target is achieved through risk management policies that lay down guidelines for exposure to different types of financial risks. The investment and risk management policy for the individual companies of the group has been adjusted to the conditions in which the companies operate.

The investment asset portfolio is subject to market risk, among other things in the form of interest rate risk, currency risk and price risk, for example resulting from changes in equity prices or real property prices.

### **Interest rate risk**

Interest rate risk is the risk of fluctuations in the value of interest-bearing financial instruments as a result of changes in interest rates.

Management of the group's interest rate risk seeks to appropriately match interest rate risk on assets and liabilities.

Alm. Brand Forsikring and Alm. Brand Liv og Pension limit interest rate risk by approximately matching the risk of assets and liabilities, which have opposite exposures to interest rate risk. Alm. Brand Liv og Pension has developed an ALM model to manage the correlation between assets and liabilities, which includes risk tolerance limits.

In the Alm. Brand Bank Group, risks due to interest rate changes may be divided into (i) fluctuations in the value of fixed-rate interest-bearing financial instruments, (ii) cash flow risks related to floating-rate instruments, (iii) the re-investment risk on fixed-rate instruments and (iv) risks related to the fact that it may prove only partially possible to transfer interest rate increases to lending customers. These risks are managed by appropriately matching the development in the value of assets and liabilities and future cash inflows and outflows.

A large part of the banking group's interest rate risk is related to the portfolio of mortgage deeds. For the purpose of calculating and managing interest rate risk related to the mortgage deed portfolio, the banking group uses an internal model, which takes into account expected prepayments of mortgage deeds and other factors. As part of the bank's strategy, interest rate risk related to mortgage deeds is hedged to the extent possible.

### **Currency risk**

The group's investment strategy is to have only limited net positions in foreign currency. Positions are generally hedged using forward exchange contracts and currency swaps. The currency exposure is primarily limited to the activities in the listed subsidiary Alm. Brand Formue and a limited number of open currency positions in the bank.

### **Price risk**

The group accepts a calculated exposure to equity risk which is determined on the basis of the investment strategy and the capital base. The equity exposure is composed of listed and unlisted equity investments and derivative financial instruments (futures and options). The exposure to equity risk is mainly restricted to equity holdings in the group's life insurance company and the Alm. Brand Bank Group.

The group is also exposed to changes in prices of real property through property investments held by the group's life insurance and non-life insurance companies. Similarly, the group is indirectly exposed to property prices through loans granted by the bank secured against a mortgage on real property.

Most of the property investments involve owner-occupied properties. We also make direct property investments, mainly in office property, and investments in property stocks. The defined risk profile on the purchase and sale of property calls for a high degree of security and stable returns on a long-term horizon. For property investments, risk management is founded on a framework governing the overall property investments and guidelines for exposure to individual properties.

A description of the risks relating to the bank's indirect exposure to properties is provided under 'Credit policy'.

#### **Inflation risk**

In Alm. Brand Forsikring, the future payments in respect of workers' compensation claims depend on wage developments. This is taken into account in the calculation of workers' compensation provisions by applying the expected future wage index developments. This creates exposure to inflation risk, as a higher-than-expected inflation leads to stronger wage development, which results in greater compensation amounts. To limit this risk, Alm. Brand Forsikring has entered into inflation swaps that hedge most of the inflation risk on workers' compensation provisions, assuming a stable development in real wages.

#### **Other types of credit risk**

The group seeks to limit credit risk by restricting the exposure to individual counterparties and to groups of counterparties with an identical profile.

The Alm. Brand Group has substantial amounts due from policyholders and reinsurers on an ongoing basis. Receivables from policyholders are secured through diversification on a very large group of policyholders, whereas receivables from reinsurers are secured through a minimum rating requirement from recognised rating agencies. Receivables deemed to be unrecoverable are written down or written off.

The Alm. Brand Group makes very limited investments in corporate bonds, the majority of which are investment grade (AAA to BBB). This ensures a limited credit risk exposure to such investment assets.

#### **LIQUIDITY RISK**

Liquidity risk is limited in Alm. Brand Forsikring and Alm. Brand Liv og Pension. The greatest liquidity risk for Alm. Brand Liv og Pension is the risk of a large number of customers wanting to move their pension savings at the same time, whereas a windstorm event would exert the greatest pressure on Alm. Brand Forsikring's liquidity. However, liquidity risk is limited as a result of premiums in the companies being pre-paid. However, both companies have very good additional possibilities of procuring capital by realising assets.

The bank determines its liquidity management on the basis of a prudent risk profile. The bank manages and monitors its liquidity on a day-to-day basis based on short-term and long-term liquidity requirements.

The short-term liquidity management is intended to ensure that Alm. Brand at all times complies with the statutory requirements. This is achieved partly by neutralising imminent liquidity effects, thereby maintaining liquidity within the limits defined by the Board of Directors, and partly by securing financial resources in the form of certificates of deposit and undrawn money market lines with major market players.

The long-term liquidity management is intended to ensure that Alm. Brand does not find itself in a situation where the funding of the bank's operations generates disproportionately large expenses. A significant part of the bank's current funding will mature during the period until 30 June 2013. Alm. Brand Bank will therefore need to refinance a significant part of its current funding by that date. The size of the refinancing need will depend on the development in total lending, losses and writedowns, deposits from the bank's customers and the development in future capital and solvency requirements as well as general economic developments.

Compliance with the long-term strategy is achieved through internally defined limits for the composition of funding, including sources of funding and the maturity structure thereof.

The bank aims to have an excess cover of at least 50% relative to the 10% requirement provided in section 152 of the Danish Financial Business Act. The bank has defined a detailed policy for its liquidity risks and a contingency plan in case liquidity falls below the 50% excess cover target.

### **OPERATIONAL RISK**

The Alm. Brand Group's operational risks are monitored on an ongoing basis in order to ensure that the necessary security measures, controls and resources are in place. The extent of these measures is balanced against the related expenses. Security measures are assessed relative to potential threats and their assessed likelihood of occurrence as well as the potential business consequences, should such threats materialise.

The Alm. Brand Group has a number of control procedures in the form of work routines, business procedures and reconciliation processes that are embedded both locally and centrally in the organisation. Combined with the segregation of controlling and operational functions within the organisation and the training of staff, these procedures help minimise operational risk.

In the event of long-term physical or IT breakdown, Alm. Brand's most vital business functions must be continued and re-established. The Board of Directors has in that connection approved a number of objectives for the emergency preparedness of the group. The targets have been implemented as a central contingency organisation, department, contingency manuals applicable to each department, a robust fundamental technical IT setup and focus on standardising processes and IT.

The group continuously seeks to improve its IT security, which in Alm. Brand is based on an IT security policy adopted by the Board of Directors. The policy lays down the general requirements for IT security to ensure that the Alm. Brand Group's aggregate IT application takes place in a safe and controlled way. The IT policy is implemented in security guidelines, user guidance as well as a number of measures and business procedures.

The physical IT security and operational security in the group is further enhanced by the central banking systems being operated by Bankdata, and the group's other central IT equipment and systems being located with the external IT cooperative partner, IBM Danmark A/S. The operational risks in this area have, accordingly, been reduced substantially.

As part of the internal audit department's work, an audit is performed to ensure that defined work routines and business procedures have been prepared satisfactorily and that employees comply with them. As a supplement to the internal audit, the group's own IT systems are subjected to external IT audits, and auditors' statements are procured from Bankdata, IBM Danmark A/S and others.

The group's risk policies and risks are described in detail under 'Investor' at [www.almbrand.dk](http://www.almbrand.dk).



# CORPORATE GOVERNANCE

Alm. Brand is subject to the recommendations prepared by the Committee on Corporate Governance which are publicly available at [www.corporategovernance.dk](http://www.corporategovernance.dk).

On an annual basis, Alm. Brand A/S' Board of Directors considers all recommendations on corporate governance applying the "comply or explain" principle.

The Board of Directors believes that corporate governance should be based on a holistic approach that considers relations and the interaction with all stakeholders. Alm. Brand strives to obtain maximum transparency and openness and thus agrees with the basic principles of the corporate governance recommendations. This is reflected in the company's management approach, which generally complies with the recommendations on corporate governance. A detailed review of Alm. Brand's position on each recommendation is provided on the company's website (<http://www.almbrand.dk/abdk/OmAlmBrand/Investor/Koncerninformation/Corporategovernance/index.htm>).

The few areas in which Alm. Brand has opted not to comply with the recommendations are discussed below. The main elements of the company's internal control and risk management systems in relation to the financial reporting process and the composition of the company's management bodies are also described below.

## EXPLANATION OF NON-COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

### Composition and organisation of the Board of Directors

As regards recruitment and election of Board members, it is recommended that at least half of the Board members elected by the shareholders at the annual general meeting should be independent.

Alm. Brand af 1792 fmba holds approximately 60% of the voting rights in Alm. Brand A/S and five of the seven Board members elected by the shareholders in general meeting are nominated by the principal shareholder. Management believes that the principal shareholder and the remaining shareholders have identical interests in the company.

The two remaining Board members elected by the shareholders in general meeting have no affiliation with the principal shareholder.

The five board members nominated by the principal shareholder are also members of the board of Alm. Brand af 1792 and have thus been elected from among the members of Alm. Brand af 1792 fmba's Committee of Representatives in pursuance of that association's by-laws.

With respect to diversity in relation to gender and age, the Board of Directors of Alm. Brand A/S is furthermore of the opinion that neither gender quotas nor age quotas are the right solution, as they would rank a candidate's qualifications secondary.

The company does not provide information about the recommended candidates' background, qualifications and the criteria for recruitment ahead of the annual general meeting. Information about the Board members' other executive positions and directorships, etc. as well as their special qualifications is included in the annual report. As regards new candidates, such information is also provided in the complete proposals sent out prior to the annual general meeting.

Since five of the seven Board members elected by the shareholders in general meeting are nominated by the principal shareholder, the Board of Directors of Alm. Brand A/S does not believe that there is a need for setting up a nomination committee.

The Board of Directors of Alm. Brand A/S has set up two Board committees (an audit committee and a remuneration committee).

The Chairman and the Deputy Chairman of the Board of Directors, who cannot be deemed to be independent (see above), are members of these committees, and the Chairman also chairs the two Board committees. The Board of Directors has deliberately chosen this structure and finds that it ensures a strong focus on the work of the committees.

It has been decided that, after having been in operation for some time, the remuneration committee will consider the need for using external advisers, including whether such external advisers should be other than those used by the Management Board.

#### **Remuneration of the Board of Directors and the Management Board**

In connection with the amendment of the Danish Financial Business Act adopted by the Danish parliament in December 2010, the company's Board of Directors has approved a new remuneration policy, which will be presented at the company's annual general meeting in 2011. Furthermore, the Chairman's report at annual general meetings held in or after 2011 will include a review of the remuneration policy and compliance with such policy.

It is recommended that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated. The Board of Directors has so far held the opinion that this follows from the general principles of Danish law. However, a statutory requirement to such effect has now been introduced in the Danish Financial Business Act, which the company intends to conform to the next time the agreement with the Management Board comes up for renewal.

It is recommended that termination payments should not amount to more than two years' annual remuneration. The Board of Directors has not at this stage found it necessary to change the Management Board's current severance scheme, which prescribes a termination payment equivalent to three years' remuneration and a mutual notice of termination of 12 months.

It is recommended that the remuneration of the Board of Directors for the current financial year is approved by the shareholders in general meeting. The Board of Directors finds it sufficient that the shareholders in general meeting approve the remuneration of the Board of Directors for the previous year as part of the approval of the annual report.

The Board of Directors believes that overall Alm. Brand complies with the corporate governance criteria and that these few exceptions do not constitute a disadvantage or are contrary to the interests of the shareholders or other stakeholders.

#### **FINANCIAL REPORTING PROCESS**

The primary responsibility for the Alm. Brand Group's risk management and control organisation in relation to the financial reporting process rests with the Board of Directors and the Management Board, including compliance with applicable legislation and other financial reporting regulations.

#### **Control environment**

The Board of Directors has defined a working plan ensuring that the Board of Directors assesses, at least once a year, the group's:

- organisation;
- plans and budgets;
- risk of fraud; and
- in-house rules and guidelines.

The Board of Directors and the Management Board are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The audit committee supports the Board of Directors in this work.

The group's internal audit department reports directly to the Board of Directors and in compliance with the audit plan presented by the internal audit department and adopted by the Board of Directors. The internal audit department performs sample audits of business procedures and internal controls in critical audit areas, including the annual report and the financial reporting.

The Board of Directors and the Management Board have adopted policies, manuals, procedures, etc. in key areas in relation to financial reporting. On an ongoing basis, the Management Board monitors compliance with relevant legislation and other financial reporting regulations and provisions and reports its findings to the Board of Directors.

### **Risk assessment**

The working plan of the Board of Directors ensures that the Board of Directors and the Management Board at least once a year perform an overall assessment of risks in relation to the financial reporting process. In this connection, the Board of Directors specifically assesses the Alm. Brand Group's organisation with respect to:

- risk measurement and risk management;
- financial reporting and budget organisation;
- internal control;
- rules on powers of procuration;
- segregation of functions or compensatory measures; and
- IT organisation and IT security.

As part of the risk assessment, the Board of Directors considers the risk of fraud on an annual basis. This work includes:

- a discussion of management's potential incentive/motive for committing fraudulent financial reporting or other types of fraud; and
- a discussion of management reporting with a view to preventing/identifying and responding to fraudulent financial reporting.

The audit committee set up supports the Board of Directors in these assessments.

### **Risk management and the financial reporting process**

Day-to-day risk management is handled at segment level on the basis of risk limits defined by the Management Board and approved by the Board of Directors.

Risk management is coordinated by a cross-organisational risk management committee consisting of the Management Board and the persons in charge of the Actuarial Department, the Credit Secretariat, the Sales Organisation, the Finance Department and the Risk Management Department as well as the persons in charge of the group's non-life insurance, life insurance and banking divisions.

The Finance Department is responsible for preparing interim and full-year financial reports. The key financial reporting contributors are the non-life and life insurance actuarial de-

partments, which are responsible for calculating technical provisions, and the Risk Management Department, which is responsible for calculating the group's financial assets and liabilities. In addition, the Credit Secretariat is an important contributor with respect to the accounting treatment of the bank's loans and advances.

The report is prepared by the IR Department on the basis of information from a number of departments, including the Finance Department, the Asset Management Department and the individual business areas.

### **MANAGEMENT BODIES**

In compliance with Danish legislation, Alm. Brand A/S and the group's subsidiaries (except from a few single-purpose property companies) have a two-tier management system with a board of directors and a management board. The members of the Board of Directors and the Management Board of Alm. Brand A/S are described in detail under 'Directorships'. The responsibilities and tasks of the Board of Directors and the Management Board are defined in the rules of procedure for the Board of Directors.

The Board of Directors consists of seven members elected by the shareholders in general meeting and four members elected by the employees. The 11 Board members comprise nine men and two women. The age, seniority, other directorships and special qualifications of the Board members are set forth in the list of directorships at the end of the annual report. Arne Nielsen and Tage Benjaminsen are considered to be independent, as they are not also members of the board of the company's principal shareholder.

In connection with the nomination of new Board members, the Board of Directors, with due consideration being had to the partial duality of membership existing between the board of the company's principal shareholder, Alm. Brand af 1792 fmba, and the Board of Directors of Alm. Brand A/S, emphasises representation of the following qualifications on the Board of Directors as a whole: General management experience, experience from the Alm. Brand Group's customer segments, experience in audit and accounting matters, particularly in relation to membership of the audit committee, and insight into financial, legal and economic matters.

The Board of Directors reassesses its overall qualifications and work procedures once a year. The Chairman of the Board of Directors is responsible for the reassessment, which is performed in accordance with a fixed procedure. The results of the reassessment will form part of the work of the Board of Directors going forward.

The Board of Directors held 14 meetings in 2010.

#### AUDIT COMMITTEE

The boards of directors of Alm. Brand A/S, Alm. Brand Forsikring A/S, Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S have each set up an audit committee. Alm. Brand Bank's audit committee also performs this task for the subsidiary Alm. Brand Formue A/S.

The audit committees of all these companies consist of three Board members:

- Jørgen H. Mikkelsen (chairman);
- Boris N. Kjeldsen; and
- Arne Nielsen (independent member).

Arne Nielsen contributes special qualifications within auditing and accounting. He is a state-authorized public accountant with a deposited licence and an independent member of the Board of Directors of Alm. Brand A/S.

The audit committees support the boards of directors in their work with and supervision of

- the annual reports, including checking the accuracy of financial information disclosed in the annual report, and ensuring that accounting policies are relevant and have been consistently applied;
- internal control and risk management, including reviewing and assessing management's guidelines with a view to identifying, monitoring and managing the most important risks at least once a year. The audit committee also assesses and reviews internal control and risk management systems; and

- internal and external audit, including review and discuss the results of the work of the internal and external auditors and the auditors' observations and conclusions. The committee supervises management's follow-up on the recommendations to management reported by the internal and external auditors.

The audit committees held four meetings in 2010. The audit committees work with historical data and are generally not involved in forward-looking events such as forecasts and budgets.

#### REMUNERATION COMMITTEE

In 2010, the boards of directors of Alm. Brand A/S and Alm. Brand Forsikring A/S each set up a remuneration committee.

The remuneration committees consist of four Board members:

Alm. Brand A/S:

- Jørgen H. Mikkelsen (chairman);
- Boris N. Kjeldsen;
- Tage Benjaminsen; and
- Arne Nielsen.

Alm. Brand Forsikring A/S:

- Jørgen H. Mikkelsen (chairman);
- Boris N. Kjeldsen;
- Søren Boe Mortensen; and
- Arne Nielsen.

The remuneration committees support the boards of directors in their work with the remuneration policy for the Board of Directors, Management Board and other significant risk takers.

The remuneration committee of Alm. Brand A/S was set up in October 2010 and held two meetings in 2010.

The remuneration committee of Alm. Brand Forsikring A/S was set up in December 2010 and held no meetings in 2010.

# EMPLOYEES AND COMMITMENT

## HR STRATEGY AND OBJECTIVE

Alm. Brand wants its employees to be committed and to seek influence and assume responsibility for the planning and performance of their own job. The group wants its customers to be able to distinguish it from its peers by developing the skills of each individual employee and focus on providing good customer service and service in general.

## 100% COMMITMENT

One of the Alm. Brand Group's five primary, overall goals is to have 100% committed employees. This is an ambitious goal – but on the other hand Alm. Brand will not accept uncommitted employees.

Commitment reflects how much energy employees invest in the company and the extent to which their motivation is translated into efficient, business-oriented action, including their willingness to make an extra effort, propose improvements and show excitement.

The group measures employee commitment and satisfaction twice a year. Once a year, a quite extensive commitment, management and satisfaction survey is conducted which comprises a number of questions related to management, corporate culture, image, development and commitment. Once a year, a small follow-up survey is conducted.

The trend in employee satisfaction has been positive. The goal is for all the group's employees to be committed to the development of Alm. Brand, i.e. to achieve a commitment rate of 100%. The first measurement of commitment was completed in the fourth quarter of 2009 and showed a commitment rate of 83%. The second measurement, conducted in the first quarter of 2010, showed a commitment rate of 93%. In the first quarter of 2011, Alm. Brand conducted the third commitment measurement, which showed a commitment rate of 92%. This is considered satisfactory in light of the fact that the second half of 2010 was characterised by redundancies and a lot of negative press coverage.

**Commitment** reflects how much energy employees invest in the company and the extent to which their motivation is translated into efficient, business-oriented action, including their willingness to make an extra effort, propose improvements and show excitement.

## EXECUTING LEADERSHIP

Competent management is crucial for employee welfare and job satisfaction and, by extension, for the company's financial performance.

In 2010, the company focused on implementing a new management platform in the form of 12 management competencies. The management competencies were compared with the group's strategy, and the most important management challenges were identified. Against this backdrop, a development process under the heading 'Executing Leadership' was completed for all managers of the group over the course of 2010. The goal is to create a new management culture focused on action-oriented management, requiring the individual managers to be able to manage their business, to manage their employees and to manage themselves.

Among other things, a 360 degree measurement of all managers based on the management competencies will be conducted in 2011 in order to follow up on these activities.

## GROUP VALUES

### Ordinary common sense

We identify with the customer

We keep our promises

We manage rules with common sense



### **Mutual respect**

We listen to each other  
 We respect each other's opinions  
 We draw on each other's knowledge and experience

### **Holism and proximity**

We take a holistic approach  
 We care for each other  
 We are accessible

### **Will to succeed**

We set ambitious and realistic goals  
 We strive for professional and personal development  
 We create results together

### **THE ALM. BRAND ACADEMY**

The Alm. Brand Academy is the pivotal point of the group's development of employee and management skills. The range and complexity of financial products has grown significantly in recent years and the legislative basis is constantly changing. This puts pressure on the group's employees to continuously develop their skills to be able to provide customers with the best possible service and advice.

Alm. Brand invests considerable resources in in-house training of new and existing employees. The Alm. Brand Academy is intended to consolidate the opportunities for training in the group in order to build a visible platform for the group's training initiatives and to act as a showcase for the opportunities for development and training available to each individual employee.

### **ORGANISATIONAL ADJUSTMENTS**

In 2010, the Alm. Brand Group's challenges resulted in a major adjustment of the group's organisation and staff. At 31 August, 110 employees were made redundant and

70 positions were changed or discontinued. Nine out of 20 branches were closed, and the number of agricultural insurance agents was reduced by almost 50%.

In such situations, Alm. Brand offers outplacement advice and relevant supplementary training to all employees who have been dismissed.

### **REMUNERATION POLICY**

#### **Board of Directors**

The members of the Board of Directors of Alm. Brand A/S receive fixed annual remuneration reflecting the scope of the Board work and the responsibility related to serving on the Board. Ordinary Board members receive DKK 200,000, the Chairman receives DKK 600,000 and the Deputy Chairman DKK 400,000. Board members who are members of the audit committee and of the boards of directors of Alm. Brand Bank, Alm. Brand Forsikring and Alm. Brand Liv og Pension receive an additional amount of DKK 200,000.

In accordance with the company's remuneration policy, Board members are not remunerated by way of incentive plans.

#### **Management Board**

The members of the Management Board of Alm. Brand A/S receive a salary that is intended to be competitive with the remuneration of other, comparable positions in the financial sector. In addition to this salary, the company provides a pension contribution, and the remuneration also includes a company car, free telephone and other customary salary substitutes. The remuneration of the Management Board is adjusted every two years.

The members of the Management Board received remuneration in the amount of DKK 6.1 million in 2010.

In addition, the members of the Management Board may receive variable remuneration (bonus), currently representing up to 11 months' salary based on the return on equity generated for each financial year. The bonus, if any, earned for each year is deposited in a bonus account from which one third will be paid out, while payment of the remaining part of the bonus account is conditioned upon strong financial performances in subsequent years. Accordingly, the bonus scheme aims to promote long-term behaviour, and achieving maximum bonus requires an uninterrupted string of very good results over a number of years. The variable remuneration of the Management Board will be governed by the Danish Financial Business Act in future.

The amount of the bonus scheme will have no material effect on the group's cost level.

The scheme does not comprise stock options.

The current scheme will continue unchanged in 2011 but is subsequently expected to be changed in accordance with the amendments of the Danish Financial Business Act regarding salary policy adopted in December 2010.

The Management Board and the senior management received no bonus in 2010, neither with respect to 2010 nor did they receive any previously earned bonus, as the bonus earned in previous years was cancelled due to recent years' unsatisfactory performances. This is consistent with the company's remuneration policy.

#### **Other executives and specialists**

For a number of years, the company has had a bonus scheme with both common and individual benchmarks for the group's other managers and specialists. The scheme covers up to 200 persons and forms an integral part of the general salary adjustment for this group of employees.

Similarly, Alm. Brand Bank Markets and Alm. Brand Bank Asset Management have set up bonus schemes for the 2011 financial year based on performance, etc.

In addition, a bonus scheme exists for the customer service centres, which is aimed at improving sales and service to private customers.

In 2009, the company complied with the remuneration policy described in the Annual Report 2009, and in 2010 it complied with the remuneration policy described above. These schemes will continue in 2011.

#### **Employee shares**

Again in 2010, we offered our employees to buy shares in the company. In 2010, employees were able to pay for the shares by way of a deduction from their gross salary. These schemes are offered with a view to promoting employee commitment to the company and ensuring that employees and other shareholders share common goals. Many employees joined the scheme.

In 2011 as well, the employees will be offered employee shares paid for by way of deduction from their gross salary.

# SHAREHOLDER INFORMATION

## GOALS

The purpose of Alm. Brand's investor relations activities is to ensure relevant, precise and timely information to the market with a view to generating interest, regular trading and a fair pricing of Alm. Brand's shares. Alm. Brand wants to be perceived as a reliable, accessible and professional group by equity market stakeholders.

Alm. Brand's IR policy is available on the group's website, [www.almbrand.dk](http://www.almbrand.dk).

## CAPITAL REDUCTION AND CAPITAL INCREASE

In November 2010, Alm. Brand reduced its share capital by DKK 1,214.5 million by way of a redenomination of the nominal value of the company's shares from DKK 80 to DKK 10.

In December 2010, the company completed a rights issue of 156,100,000 new shares with a nominal value of DKK 10 each. Immediately prior to the offering, the share capital consisted of 17,350,000 shares with a nominal value of DKK 10 each. After the completion of the offering, the share capital amounted to DKK 1,735 million divided into 173,500,000 shares. The capital increase was fully underwritten by a group of existing shareholders and other investors. On expiry of the offer period, pre-emptive rights equalling 99.85% of the offer shares had been exercised. The remaining 0.15% was subscribed through subordinated subscription commitments made in advance. The overall interest in the rights issue was thus so strong that the group of underwriters was not granted any shares.

The proceeds from the offering of DKK 1.5 billion will be used to strengthen the group's capital and to safeguard a foundation for the future value creation of Alm. Brand, including:

- to ensure the company's capital base, including that the subsidiaries may continue to satisfy the expected increased capital adequacy requirements resulting from Solvency II and Basel III with a satisfactory buffer margin;
- to reduce the debt financing by way of conversion of senior loans granted by Alm. Brand af 1792 fmba;

- to ensure additional capital for the group's banking group to finance loans and impairment writedowns and repay subordinated loans totalling DKK 400 million; and
- to ensure that Alm. Brand achieves financial scope to develop its business.

## ACTIVITIES

Alm. Brand completed a large number of IR activities in Denmark and abroad in 2010.

Six to eight analysts cover Alm. Brand's shares. In addition, a number of other equity analysts provide research on the share on an ad hoc basis.

As part of Alm. Brand's efforts to retain broad analyst coverage and to keep up the relatively substantial interest in the share, Alm. Brand continues to have a busy schedule. The company's management thus participated in road shows in Denmark, the Nordic countries, the UK, the USA as well as other European countries during the year. In addition, we addressed professional investors in Denmark and internationally by holding a number of one-on-one meetings and presentations to large and small audiences.

The presentations are available on the company's website. Presentations of the company's full-year and interim financial reports are also webcast.

## SHARE PERFORMANCE

The share price performance traced a relatively turbulent and declining trend during 2010. The price was DKK 91 at 1 January 2010, dropping to DKK 60 in the mid-summer of 2010. After the company had announced its plans to complete a rights issue, the share price dropped to around DKK 45, declining further during the autumn to around DKK 33 immediately before publication of the prospectus. Theoretically, the issue of the new shares would cause the share price to drop to around DKK 12. At 31 December 2010, the share price was DKK 14, which marks an increase relative to the theoretical price in connection with the capital increase.



As a result of the share price performance, the price/NAV ratio was 0.53 at 31 December 2010.

In 2010, the average daily turnover was DKK 0.9 million, against DKK 2.6 million in 2009.

At 31 December 2010, the market capitalisation was DKK 2.4 billion. The table below shows how a number of indicators developed from year-end 2009 to year-end 2010:

	2009	2010
Return on equity	- 33.5%	- 13.3%
Earnings per share	DKK - 59	DKK - 24
P/E	- 1.5	- 0.6
Price/NAV	0.44	0.53
Share price	91	14.2

The Alm. Brand share is a component of the NASDAQ OMX Mid Cap index.

#### CAPITAL TARGET

In the autumn of 2010, management defined a new internal capital target based on management's expectations for the future capital requirements based on Basel III (banks) and Solvency II (insurance companies). The revised internal capital target will impact the group's future dividend policy.

The final wording of the capital requirements under both Solvency II and Basel III may result in changes to the group's capital target.

The group's new internal capital target means that the capital requirement is substantially higher than the statutory minimum capital requirements expected to be laid down in the new regulations. The capital target reflects management's wish for the group's capital resources to be sufficiently robust to absorb a number of external events. By way of example, such external events could be extreme weather conditions or an extended period of economic downturn and resulting impairment writedowns on loans in the bank.

Furthermore, management aims for the group to be sufficiently robust to be capable of absorbing large structural declines in share prices and changed levels of interest rates which may affect life insurance to a significant degree, but which may also affect the group's other activities.

#### Capital targets of the non-life insurance and life insurance companies

The capital targets for non-life insurance and life insurance are calculated on the basis of the expected level of Solvency Capital Requirements (SCR) under the Solvency II rules (expected QIS 5 levels) with the addition of a buffer calculated on the basis of a wish to ensure sufficient excess capital.

In order to make these capital targets operational in day-to-day management and transparent to the company's shareholders, the calculated capital target for non-life insurance has been translated into a fixed percentage of gross premiums.

Management's new capital target for the non-life insurance company results in an expected level of SCR plus a capital buffer of 30%, in aggregate amounting to 45% of gross premiums. With the capital buffer, the non-life insurance company – over and above the caution already inherent in the SCR rules – has calculated a sufficient excess capital adequacy to withstand the calculated total expense of DKK 350 million of two more major 100-year storms with a full retention and a brief period of negative earnings. If storms or other extreme weather conditions do not occur, the capital buffer allows non-life insurance to absorb almost two years with a combined ratio at a level of 105. It is assessed that this will enable management to implement the necessary measures to overcome any further negative events.

As for the life insurance company, the capital target is translated into a fixed percentage of life insurance provisions.

The capital target for the life insurance company has been determined with due consideration for the fact that SCR in life insurance is highly volatile. The reason for this is that life insurance assets are sensitive to interest rate fluctuations and that the ability to set off collective bonus potential and borrow against paid-up policies varies according to interest rate levels etc.

The capital target at 31 December 2010 was considerably greater than SCR calculated according to the current rules, but has been determined to ensure the desired excess relative to SCR under a number of specified stress scenarios. This means that the life insurance company will be able to withstand interest rate fluctuations without customer returns being unduly reduced through forced sales or an unneces-

sary and expensive hedging strategy. Management has decided to focus on risk in the form of the volatility of provisions rather than to calculate the capital target based on premium levels. Against this background, management has defined the capital target for the life insurance company at 9% of life insurance provisions.

### Capital target for the bank

The capital target for Alm. Brand Bank is calculated on the basis of management's wish to at all times maintain an excess capital adequacy relative to the individual solvency need or relative to the statutory minimum requirement of 8% of risk-weighted assets if the statutory minimum requirement proves higher than the individual solvency need defined. In addition, the capital target takes into account the estimated effects of the coming Basel III rules. The capital target is met through a combination of several capital elements such as shareholders' equity, hybrid Tier 1 capital and subordinated loan capital.

The Basel III rules are expected to introduce a requirement for an equity ratio of 10.5 of risk-weighted assets, including a capital buffer. In addition, Basel III is expected to introduce a requirement for an additional 2.5% countercyclical buffer to protect the bank against future cyclical downturns. These requirements, which are expected to come into force in 2019

at the earliest, have already been incorporated in Alm. Brand Bank's capital target.

The capital target for Alm. Brand Bank has been determined at an excess capital adequacy corresponding to a solvency ratio of at least 13.0, but always provided that the target is to be at least 3 percentage points higher than the individual solvency need. In the slightly longer term, and not later than 2014, the target is for shareholders' equity to make up 10.5% of risk-weighted assets.

The group's overall capital resources and capital target  
At 31 December 2010, the group had total capital resources of DKK 5,819 million for compliance with the capital target. DKK 1,803 million of this amount was supplementary capital in the form of hybrid Tier 1 capital and subordinated loan capital.

The group's capital requirement under the existing solvency rules is DKK 3,748 million, providing excess capital in the amount of DKK 2,071 million at 31 December 2010.

The internal capital target calculated at 31 December 2010 was DKK 5,737 million, corresponding to excess capital for the group of DKK 82 million.

DKKm	Internal capital target at 31 December 2010	DKKm	Capital base at 31 December 2010
Non-life insurance (45% of gross premium income)	2,143	Consolidated equity	4,758
Life insurance (9% of life insurance provisions)	984	Intangible assets	- 82
Alm. Brand Bank (17.9 % of risk-weighted assets *)	2,568	Tax assets	- 660
Alm. Brand Bank subsidiaries	342	Supplementary capital	1,803
Diversification effect	- 300	<b>Consolidated capital base</b>	<b>5,819</b>
<b>Consolidated internal capital target</b>	<b>5,737</b>		
<i>*) Calculated as the individual solvency need at 31 December 2010 plus 3 percentage points</i>			
<b>Statutory capital requirement for the group year-end 2010</b>			<b>3,748</b>
<b>Excess relative to statutory capital requirement</b>			<b>2,071</b>
<b>Excess relative to internal capital target</b>			<b>82</b>

Part of the group's capital base consists of subordinated loan capital and hybrid capital. The group aims to redeem the supplementary capital when possible.

As a result, management does not expect the company to pay dividends until after the end of the current strategy period, which expires at the end of 2012, and then only if group earnings are satisfactory and the internal capital target has been met.

#### ANALYST COVERAGE

The Alm. Brand share is covered by analysts with the companies listed below:

- Carnegie Bank
- Danske Bank
- Enskilda Securities
- Goldman Sachs
- Handelsbanken
- Nordea
- Sydbank
- LD Markets

Contact details for the relevant analysts are available on the group's website.

#### MANAGEMENT'S SHAREHOLDINGS

In 2010, the Board of Directors' and the Management Board's shareholdings in Alm. Brand A/S totalled:

	No. of shares at 01 Jan	No. of shares at 31 Dec	Market value (DKK) at 31 Dec
<b>Board of Directors</b>			
Jørgen H. Mikkelsen	2,487	25,808	366,474
Boris N. Kjeldsen	547	5,470	77,674
Arne Nielsen	250	2,500	35,500
Per V. H. Frandsen	2,100	21,000	298,200
Tage Benjaminsen	0	10,790	153,218
Henrik Christensen	1,275	12,750	181,050
Jan Skytte Pedersen	600	6,000	85,200
Per Dahlbom	402	4,020	57,084
Helle Låsby Frederiksen	240	2,400	34,080
Henning Kaffka	1,953	29,420	417,764
Susanne Larsen	566	8,480	120,416
<b>Management Board</b>			
Søren Boe Mortensen	1,724	30,529	433,512

The members of the Board of Directors and the Management Board hold no shares in other companies of the Alm. Brand Group.

No share-based incentive programmes are available or have been available to the company's management.

#### THE ALM. BRAND SHARE

The company's share capital is DKK 1,735 million nominal value divided into 173,500,000 shares of DKK 10 each. Each share carries one vote. Excluding Alm. Brand A/S' treasury shares, the number of shares is 173,078,529.

The securities identification code of Alm. Brand A/S shares is DK001525034-4 (ALMB).

#### OWNERSHIP

At 31 December 2010, 162,509,757 of the company's shares were registered. Only one shareholder has notified Alm. Brand that it holds in excess of 5% of the company's share capital, i.e. Alm. Brand af 1792 fmba, which held 58.1% of the share capital at 31 December 2010. The shareholders registered by name represented 93.8% of the share capital. Foreign investors held just over 9% of the shares at 31 December 2010, equivalent to almost 23% of the part of the registered share capital not held by the principal shareholder.

**EMPLOYEE SHARES**

The Board of Directors of Alm. Brand A/S has resolved to offer employee shares to the group's employees during the end-March 2011 to end-February 2012. The employee shares are awarded against a reduction of the individual employee's gross salary within the framework of section 7a(1)(ii) of the Danish Tax Assessment Act. Employee shares will be awarded at the market price prevailing at end-February 2012.

**ANNUAL GENERAL MEETING**

The annual general meeting of Alm. Brand A/S will be held at 11.00 a.m. on 27 April 2011 at the Radisson Blu Scandinavia Hotel, Amager Boulevard 70, DK-2300 Copenhagen S, Denmark.

**FINANCIAL CALENDAR**

Date	Event
24 February 2011	Release of Annual Report 2010
27 April 2011	Annual general meeting
18 May 2011	Release of interim report Q1 2011
25 August 2011	Release of interim report H1 2011
16 November 2011	Release of interim report Q3 2011

**COMPANY ANNOUNCEMENTS IN 2010**

Date	Event
25 February 2010	Annual Report 2009
1 March 2010	Grant of employee shares and issue of employee bonds
30 March 2010	Annual general meeting 28 April 2010
23 April 2010	Winter-related claims and revised outlook
28 April 2010	Result of the annual general meeting held on 28 April 2010
20 May 2010	Interim report Q1 2010
21 June 2010	Government guarantee, writedowns and fresh capital
5 July 2010	Extraordinary general meeting 5 August 2010
5 August 2010	Result of extraordinary general meeting held on 5 August 2010
26 August 2010	Interim report H1 2010
20 September 2010	Alm. Brand A/S plans to complete rights issue
24 September 2010	Financial calendar 2011
5 October 2010	Extraordinary general meeting 28 October 2010
28 October 2010	Result of extraordinary general meeting held on 28 October 2010
11 November 2010	Completion of capital reduction
17 November 2010	Interim report Q3 2010
30 November 2010	Announcement of voting rights and capital
3 December 2010	Alm. Brand A/S publishes prospectus in connection with fully underwritten rights issue
17 December 2010	Report on transactions
27 December 2010	Strong interest in rights issue of Alm. Brand A/S
27 December 2010	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
29 December 2010	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
30 December 2010	Completion of rights issue and capital increase
30 December 2010	Announcement of voting rights and capital
30 December 2010	Alm. Brand A/S contributes DKK 250 million of equity to Alm. Brand Bank A/S



## CSR – OR JUST ORDINARY COMMON SENSE

Alm. Brand seeks to conduct its business in a responsible and sustainable manner. Our vision is that “We take care of our customers”. This applies not only to customer relationships but also to employee relationships, environmental and climate matters and to matters concerning society in general.

The group's business and interaction with the surrounding society do not immediately involve weighty environmental issues or important human rights challenges that make special demands on Alm. Brand's social responsibility.

In 2009, Alm. Brand provided a formal report on its corporate social responsibility (CSR) efforts. As part of these efforts, Alm. Brand has defined specific goals for its future work and established systematic monitoring of its CSR performance and results.

Read more about Alm. Brand's CSR efforts at [www.alm-brand.dk](http://www.alm-brand.dk) under 'About us' or 'Investor'.

### Forward-looking initiatives

- In 2011, Alm. Brand will initiate work to define an overall CSR policy that will apply to all of the group's business areas and activities.
- In 2011, Alm. Brand will investigate and consider whether recommendations for projects entailing expenses of DKK 0.5 million or more should include deliberations concerning the project's CSR benefits and impacts, including which weight should be attached to this in the final decision about whether or not to complete the project.

### SOCIAL RESPONSIBILITY

Alm. Brand seeks to take care of its customers by offering high-quality products and services that provide help in case of injury or damage, management and advice concerning monetary and lending issues and savings products.

Alm. Brand provides its employees with a wide variety of offers of a social, health and practical nature. Alm. Brand makes high professional and social demands on its employees but always takes into account all aspects of an employee's life. This creates the most sustainable solution for both parties.

Alm. Brand makes no distinction between its customers or employees with respect to gender, colour, social affiliation or political or religious conviction.

### Customers

- Alm. Brand's role as an insurance company is to replace what has been lost or restore what has been damaged in case a customer has incurred a covered claim. In case of claims resulting from a sudden, acute traumatic incident, including fire, robbery, assault or traffic accidents, Alm. Brand offers psychological counselling to any of its *plus-KUNDER* in need of crisis therapy.
- Customers are offered competitive financial products, including savings and pension products. Alm. Brand focuses on providing advice based on the individual customer's situation.

## Employees

- The group's health policy is intended to promote health and well-being on the job and in the employees' spare time. Accordingly, the group offers financial support for a number of sports activities, smoking cessation projects and canteen and fruit services. Alm. Brand also emphasises a healthy working environment and has ergotherapists and architects as well as a special service desk available to prevent and relieve physical problems.
- The group's sickness policy is intended to ensure that employees have a good working life with a low sickness frequency and high well-being. For example, the group holds sickness absence interviews, provides stress prevention and stress management training for managers, offers health insurance for all employees and offers flex jobs, scaled-down jobs or work testing in close collaboration with public authorities.
- Alm. Brand's senior-age policy ensures that employees have the opportunity to plan their senior working life with the group well in advance. In addition to extra holidays, employees may choose to work fewer hours and adapt their working hours to their individual needs. In 2005, the senior-age scheme comprised seven employees. In 2009, the scheme comprised 26 employees and 21 employees in 2010.
- New mothers and fathers are entitled to full pay during maternity/paternity and parental leave periods. Moreover, all employees are entitled to five care days in addition to the statutory five weeks' holiday.

## Follow-up on 2009 initiatives

The goal is for all the group's employees to be committed to the development of Alm. Brand, i.e. to achieve a commitment rate of 100%. The first measurement of commitment was completed in the fourth quarter of 2009 and showed a commitment rate of 83%. The second measurement, conducted in the first quarter of 2010, showed a commitment rate of 93%. In the first quarter of 2011, Alm. Brand completed the third commitment measurement, which showed a commitment rate of 92%.

## ENVIRONMENTAL AND CLIMATE RESPONSIBILITY

Alm. Brand seeks to take care of the environment and the climate. The group therefore works towards reducing its pollution footprint on the environment and the climate. For many years, Alm. Brand's environmental and climate efforts have been based on ordinary common sense rather than formalised environmental and climate policies.

### Heating, cooling and power consumption

- Alm. Brand focuses on individual climate control in office areas and at building level. Today, Alm. Brand monitors and controls heating, cooling and ventilation in most properties and in leased premises that have their own climatic system.
- For several years, Alm. Brand has phased in energy-saving electrical products, including light bulbs, PCs, flat screens, printers, etc.
- Alm. Brand is also in the process of phasing in intelligent light control by means of motion and daylight sensors and automatic on/off functions. The group has implemented light control in 50%

of its total floor space. In addition, lighting in Alm. Brand's branches has been changed, reducing the power consumption by 33% since 2006. Alm. Brand tests new light sources on a regular basis (for example LED lighting) at several of the group's addresses.

- On the customer side, Alm. Brand offers lower premiums to insurance customers who have new houses and consequently have low energy consumption.
- Since 2009, Alm. Brand has participated in the World Wide Fund for Nature's global turn-off-the-light event Earth Hour by turning off the light at the group's offices as well as turning off a large advertising sign in the City Hall Square in Copenhagen.

#### **Water, paper, cleaning and waste**

- Alm. Brand installs water-saving fittings on a current basis in all properties where such installation is possible.
- During 2008 and 2009, the group replaced a large part of its paper consumption by electronic solutions, including statements of account, pay slips and invoices as well as the use of NemKonto for claims payments. The group also works with paperless office solutions. This means that case files and letters are scanned in order to reduce paper consumption and enhance customer service.
- A large part of Alm. Brand's marketing material, for example brochures and magazines, are printed on Swan-labelled, environmentally friendly paper.
- The group applies point-of-use sorting of paper, cardboard, bottles and construction waste, and household waste from our canteens is collected and used for biomass. Low-energy light bulbs and fluorescent tubes are collected for recycling due to their mercury content. Used batteries are also col-

lected for safe disposal.

- All detergents used in the group are either Swan-labelled or labelled according to EU Regulation 648/2004/EC.

#### **CO2 and other greenhouse gases**

- The group seeks to reduce its CO2 footprint, but currently no overall calculation of the group's emissions is available. Alm. Brand's initiatives include company bicycles, commuter schemes and increased use of video conferences.
- In 2009, Alm. Brand implemented a new car policy under which employees with a company car pay a monthly user charge depending on the environmental classification of their car. Environment Class A cars, which are the most environmentally friendly ones, trigger a user charge of DKK 0. Subsequent user charges increase by DKK 500 per class up to environment Class G, which triggers a user charge of DKK 3,000. Since the car policy was implemented, nearly 50% of all newly acquired cars are Class A or Class B cars.
- Alm. Brand removes unwanted and environmentally harmful substances (such as CFC) in all existing cooling systems on an ongoing basis and replaces them as it becomes technically and financially possible to implement natural refrigerants. In future, Alm. Brand will focus on water-borne cooling systems and remote cooling options for the group's properties. Accordingly, more than 50% of the overall cooling effect is non-CFC based.
- Alm. Brand's has introduced a number of CO2 reducing offers to its insurance customers. Accordingly, a small car or a low mileage will trigger a cheaper insurance. Customers who have an EV car also obtain a particularly attractive motor

insurance tariff as compared with the market in general. In addition, Alm. Brand offers free cover for geothermal or solar heating systems over the customer's building insurance.

- Alm. Brand joined the Carbon Disclosure Project in 2007 and has since 2008 submitted annual reports on matters such as strategic opportunities and threats due to climate changes and the group's emission of greenhouse gases as well as measures taken to reduce such impacts.

#### Environmental technology investments

- Alm. Brand Bank and Alm. Brand Invest were the first in Denmark to offer their customers investment opportunities focused on sustainable energy, wastewater purification and waste sorting. The mutual fund's customers include Alm. Brand Liv og Pension, whose total investment of policyholders' life insurance funds in Alm. Brand Invest Miljøteknologi amounted to DKK 62 million at 31 December 2010 – an increase of 24% relative to 2009.

#### Follow-up on 2009 initiatives

- In 2010, Alm. Brand aimed to launch a project to identify areas within our property management operations in need of more environmentally friendly solutions and to initiate such activities going forward. In 2010, the project resulted in:
  - recycling islands for point-of-use sorting of waste being set up at Midtermolen and a few other office locations;
  - the staff kitchen at Midtermolen reducing its water consumption by 1,000 litres per day due to changed procedures;
  - all Alm. Brand properties being equipped with electronic water supply surveillance (leak detection system), preventing unnecessary

water wastage from consumption as well as from defective installations; and

- the consumption of disposable water bottles being reduced by 50,000 per year by providing each individual employee with a personal refill water bottle.
- Alm. Brand aimed to set up joint and comparable methods for calculating energy consumption. This aim was fulfilled. With effect from 1 January 2011, consumption is measured on an ongoing basis, thereby making it possible to monitor fluctuations in the normal consumption and immediately correct faults and defects. In future, the overall energy consumption for office premises and building operations will be calculated as a total consumption and a relative consumption per employee and per square metre.
- In 2010, Alm. Brand aimed to ensure local support for the group's environmental improvement work. This work has been postponed until 2011 due to new national rules on the structuring of a company's safety and security organisation (in future occupational health and safety organisation). As a result of the new rules, which came into force on 1 October 2010, Alm. Brand will attempt in future to link together its occupational health and safety work with its CSR work to the effect that the new occupational health and safety organisation will cover environmental and energy, occupational health and safety and indoor climate as well as safety and security matters. Not until the new occupational health and safety representatives and the related occupational health and safety organisation are in place will the efforts to ensure local support for the group's environmental improvement work continue. This is expected to take place in the second half of 2011.

#### **Forward-looking initiatives**

- In 2011, efforts will be made to minimise the group's energy consumption on the basis of the new consumption measurements. At the same time, Alm. Brand will use new technology in connection with renovation or maintenance of its premises. Moreover, Alm. Brand's operational staff will receive supplementary training in energy optimisation as well as in any new, gradually implemented technology.
- During 2011, Alm. Brand will assess whether to replace the 1,000 sqm ordinary glass facade at Midtermolen with energy-saving, solar and heat control glass.

#### **CORPORATE SOCIAL RESPONSIBILITY**

Alm. Brand has carried on insurance business since its inception in 1792 by taking over risk from its customers and ensuring payment of compensation in case of injury or damage. The group is focused on operating all its activities in a socially responsible manner.

#### **Insurance fraud**

- Alm. Brand seeks to uphold the principle of solidarity on which the insurance system rests. This involves combating insurance fraud for the benefit of law-abiding customers. In 2006, Alm. Brand's claims assessors revealed insurance fraud in a total amount of DKK 15.3 million. In 2010, this figure had risen to DKK 40.1 million.

#### **Ethical investments**

- Alm. Brand implemented an ethical investment policy at the beginning of 2010. This means that ethical criteria concerning aspects such as human rights, children's rights, right to unionize, employee health and safety and environmental considerations are included on an equal footing with other factors in the screening of companies.

#### **Gift policy**

- In 2009, Alm. Brand implemented a gift policy comprising all group employees. The policy provides, among other things, that no employee may give or receive gifts, contributions or anything else that may be perceived as an attempt to bribe.

#### **Sponsorships**

- As a corollary of Alm. Brand's local presence through branches, sales centres and insurance agents, the group takes responsibility for the development of local business and local community organisations. Alm. Brand therefore supports numerous local sports clubs and other local causes with sponsorships for a total amount of approximately DKK 1 million annually.

#### **Donations**

- In addition to taking responsibility as a natural part of its day-to-day activities, the group takes the opportunity to donate funds. In recent years, Alm. Brand has donated funds to Denmark's annual, nation-wide relief fundraising event, Danmark-sindsamlingen, and supported the Danish Cancer Society, the Danish Red Cross and the Danish division of Save The Children as well as other organisations.



#### Knowledge transfer for the benefit of society

- Alm. Brand is represented in a number of different professional committees in the insurance and other industries. In these fora, the group's experts share their knowledge about subjects of relevance for policyholders specifically and citizens of society in general. These experts include:
  - The Head of Commercial Insurance of the group's non-life insurance operations, who is deputy chairman of the Board of the Danish Terrorism Insurance Pool for Non-life Insurance. This Board manages a terrorism insurance scheme for non-life insurers in Denmark who cover NBCR terrorism risk (i.e. chemical and biological terrorism claims affecting policyholders). As a consequence of this directorship, the Head of Commercial Insurance holds a position as alternate of the Danish Terrorism Insurance Council, which manages state-guaranteed assistance in the event of a terrorist attack on Denmark.
  - An architect and professional consultant, who, on behalf of the insurance industry, has been a member of the engineering group under the Danish construction knowledge exchange organisation BYG-ERFA for the past 15 years. The objective of the group is to collect and communicate construction engineering knowledge to construction industry parties with a view to preventing or remedying failure or damage in the best possible way.
  - The Head of Agricultural Insurance of the group's non-life insurance operations, who in 2010 was a member of a snow load committee under the Danish Insurance Association in collaboration with the Danish Enterprise and Construction Authority. The committee analyses the causes of the severe snow load claims recorded in the first quarter of 2010 and finds solutions to limit or prevent such claims in the future.
  - The Head of Insurance Fraud of the group's non-life insurance operations, who in 2010 was a member of the Insurance Fraud Committee of the Danish Insurance Association. The committee exchanges knowledge and experience regarding the combating of insurance fraud and the framework for such efforts.



# STATEMENT BY THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Management Board have today considered and approved the annual report of Alm. Brand A/S for the period 1 January to 31 December 2010.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Business Act. Further, the consolidated financial statements and parent financial statements have been prepared in accordance with additional Danish disclosure requirements for listed financial companies. The management commentary has been prepared in accordance with the Danish Financial Business Act.

## MANAGEMENT BOARD

Copenhagen, 24 February 2011

**Søren Boe Mortensen**  
Chief Executive

## BOARD OF DIRECTORS

Copenhagen, 24 February 2011

**Jørgen H. Mikkelsen**  
Chairman

**Henrik Christensen**

**Arne Nielsen**

**Henning Kaffka**

**Boris N. Kjeldsen**  
Deputy Chairman

**Per Dahlbom**

**Jan S. Pedersen**

**Susanne Larsen**

**Tage Benjaminsen**

**Per V. H. Frandsen**

**Helle L. Frederiksen**

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position and results as well as of the consolidated cash flows for the financial year 1 January to 31 December 2010.

Also, we believe that the management commentary contains a fair review of the development in the Group's and the Parent's activities and financial position together with a description of the principal risks and uncertainties that may affect the Group and the Parent.

We recommend the annual report for adoption at the Annual General Meeting.

# AUDITORS' REPORT

## INTERNAL AUDIT

We have audited the consolidated financial statements and the parent company financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2010, comprising an income statement, balance sheet, statement of changes in equity and notes to the financial statements, including accounting policies, both for the group and for the parent company, a cash flow statement for the group and the management's review. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the parent company financial statements have been prepared in accordance with the Danish Financial Business Act. In addition, the consolidated financial statements and the parent company financial statements have been presented in accordance with additional Danish disclosure requirements for listed financial enterprises. The management's review has been prepared in accordance with the Danish Financial Business Act.

## Basis of opinion

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with Danish auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the annual financial statements and the management's review are free of material misstatement.

The internal audit department participated in auditing the critical audit areas. In our audit, we reviewed business procedures and internal control procedures, including the risk management implemented by the Board of Directors and the Management Board, aimed at reporting processes and major business risks. Based on an evaluation of materiality and risk, we tested the basis for the amounts and other disclosures in the annual financial statements and the management's review, including evidence supporting the amounts and disclosures in the annual financial statements and the management's review. Our audit also included evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the Board of

Directors and the Management Board, as well as evaluating the overall presentation of the financial statements and the management's review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's assets, liabilities and financial position at 31 December 2010 and of the results of the group's operations and cash flows for the financial year 1 January to 31 December 2010 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed financial enterprises.

In addition, in our opinion, the parent company financial statements give a true and fair view of the parent company's assets, liabilities and financial position at 31 December 2010 and of the results of the parent company's operations for the financial year 1 January to 31 December 2010 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for the annual reports of listed financial enterprises.

Finally, in our opinion, the management's review includes a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 24 February 2011

**Poul-Erik Winther**  
Group Chief Auditor

## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholders of Alm. Brand A/S**

We have audited the consolidated financial statements and parent financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2010, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group and the Parent, as well as the consolidated cash flow statement and the management commentary. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Business Act. Further, the consolidated financial statements and parent financial statements have been prepared in accordance with additional Danish disclosure requirements for listed financial companies. The management commentary has been prepared in accordance with the Danish Financial Business Act.

### **Management's responsibility for the consolidated financial statements, parent financial statements and management commentary**

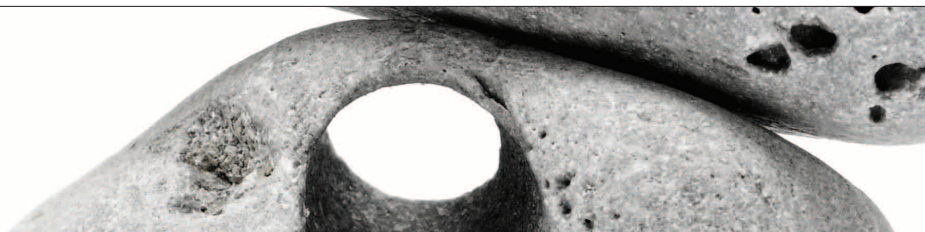
Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent financial statements as well as additional Danish disclosure requirements for listed financial companies, and a management commentary that contains a fair review in accordance with the Danish Financial Business Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of consolidated financial statements, parent financial statements and a management commentary that are free from material

misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility and basis of opinion**

Our responsibility is to express an opinion on these consolidated financial statements, these parent financial statements and this management commentary based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements, parent financial statements and management commentary are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, parent financial statements and management commentary. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, parent financial statements and management commentary, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements and the preparation of a management commentary that contains a fair review in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements, parent financial statements and management commentary.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2010 and of its financial performance and cash flows for the financial year 1 January to 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies.

In addition, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2010 and of its financial performance for the financial year 1 January to 31 December 2010 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for listed financial companies.

Finally, in our opinion, the management commentary contains a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 24 February 2011

### **Deloitte**

Statsautoriseret Revisionsaktieselskab

### **Henrik Priskorn**

State-Authorised Public Accountant

### **Jens Ringbæk**

State-Authorised Public Accountant



**FINANCIAL  
STATEMENTS  
GROUP**

# BALANCE SHEET

DKKm	Note	Group	
		2010	2009
<b>Assets</b>			
Intangible assets	1	82	118
Owner-occupied properties	2	1,030	1,035
Deferred tax assets	3	660	521
Investments in associates	4	35	46
Reinsurers' share of insurance contracts	5	190	134
Current tax assets	6	2	14
Other assets	7	2,006	1,650
Loans and advances	8	12,485	14,823
Investment properties	9	451	440
Investment assets	10	29,292	27,337
Balances due from credit institutions and central banks	11	1,537	1,331
Cash in hand and balances at call		379	49
<b>Total assets</b>		<b>48,149</b>	<b>47,498</b>
<b>Liabilities and equity</b>			
Share capital		1,735	1,388
Reserves, retained earnings, etc.		2,863	2,107
Minority interests		160	199
<b>Consolidated shareholders' equity</b>	12	<b>4,758</b>	<b>3,694</b>
Subordinated debt	13	1,828	1,834
Provisions for insurance contracts	14	18,413	17,894
Other provisions	15	131	90
Deferred tax liabilities	16	46	46
Issued bonds	17	6,032	26
Current tax liabilities	6	0	0
Other liabilities	18	1,751	1,727
Deposits	19	8,602	10,874
Payables to credit institutions and central banks	20	6,588	11,313
<b>Total liabilities and equity</b>		<b>48,149</b>	<b>47,498</b>
Contingent liabilities, guarantees and lease agreements	40		
Collateral security	41		
Related parties	42		
Classification of financial instruments	43		
Return on financial instruments	44		
Fair value of financial instruments	45		
Financial instruments by term to maturity	46		
Credit risk	47		
Hedge accounting	48		
Sensitivity information	49		
Key ratios for the banking group	50		

# INCOME STATEMENT

DKKm	Note	Group	
		2010	2009
<b>Income</b>			
Premium income	21	5,481	5,434
Interest income, etc.	22	1,699	1,995
Fee income, etc.	23	123	100
Other income from investment activities	24	7	23
Profit/loss from investments in associates	25	6	0
Other income	26	25	19
<b>Total income</b>		<b>7,341</b>	<b>7,571</b>
<b>Costs</b>			
Claims expenses	27	-4,758	-4,499
Interest expenses	28	-580	-803
Other expenses from investment activities		-35	-27
Impairment of loans, advances and receivables, etc.	29	-660	-1,451
Acquisition costs and administrative expenses	30	-1,432	-1,670
Other costs	31	0	0
<b>Total costs</b>		<b>-7,465</b>	<b>-8,450</b>
Profit/loss from business ceded	32	-134	-136
Change in life insurance provisions	33	65	-233
Change in collective bonus potential		-279	-225
Value adjustments	34	47	198
Tax on pension investment returns	35	-114	-141
<b>Profit/loss before tax</b>		<b>-539</b>	<b>-1,416</b>
Tax	36	135	336
<b>Profit/loss after tax</b>		<b>-404</b>	<b>-1,080</b>
<b>The profit/loss before tax is allocated as follows:</b>			
Share attributable to Alm. Brand		-536	-1,336
Share attributable to minority interests	37	-3	-80
<b>The profit/loss before tax allocated</b>		<b>-539</b>	<b>-1,416</b>
<b>The profit/loss after tax is allocated as follows:</b>			
Share attributable to Alm. Brand		-401	-1,000
Share attributable to minority interests	37	-3	-80
<b>The profit/loss after tax allocated</b>		<b>-404</b>	<b>-1,080</b>
Earnings per share, DKK		-24	-59
Diluted earnings per share, DKK		-24	-59
<b>Comprehensive income</b>			
Profit/loss for the year		-404	-1,080
Revaluation of owner-occupied properties		11	-4
Transferred to collective bonus potential		-13	0
<b>Total comprehensive income</b>		<b>-406</b>	<b>-1,084</b>
<b>Proposed allocation of loss:</b>			
Share attributable to Alm. Brand		-403	-1,004
Share attributable to minority shareholders		-3	-80
<b>Total comprehensive income</b>		<b>-406</b>	<b>-1,084</b>
Technical result, non-life insurance	38		
Realised result, life insurance	39		

# STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Contingency funds	Revaluation reserves	Other provisions	Retained profit	Shareholders' equity	Minority interests	Consolidated shareholders' equity
<b>Shareholders' equity at 1 January 2009</b>	1,476	182	8	2,852	2,852	4,518	282	4,800
<b>Changes in shareholders' equity 2009:</b>								
Profit/loss for the year			0		-1,000	-1,000	-80	-1,080
Reversed revaluation of owner-occupied properties			-6		2	-4		-4
Transferred to collective bonus potential			0		0	0		0
Tax on changes recognised in equity			0		0	0		0
Comprehensive income	0	0	-6	0	-998	-1,004	-80	-1,084
Cancellation of treasury shares	-88		0		88	0		0
Purchase and sale of treasury shares	0		0		11	11		11
Share buyback programme	0		0		-30	-30		-30
Change in share attributable to minority interests	0		0		0	0	-3	-3
<b>Changes in shareholders' equity</b>	<b>-88</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>-929</b>	<b>-1,023</b>	<b>-83</b>	<b>-1,106</b>
<b>Shareholders' equity at 31 December 2009</b>	<b>1,388</b>	<b>182</b>	<b>2</b>	<b>0</b>	<b>1,923</b>	<b>3,495</b>	<b>199</b>	<b>3,694</b>
<b>Shareholders' equity at 1 January 2010</b>	<b>1,388</b>	<b>182</b>	<b>2</b>	<b>0</b>	<b>1,923</b>	<b>3,495</b>	<b>199</b>	<b>3,694</b>
<b>Changes in shareholders' equity 2010:</b>								
Profit/loss for the year			0		-401	-401	-3	-404
Reversed revaluation of owner-occupied properties			-2		13	11		11
Transferred to collective bonus potential			0		-13	-13		-13
Tax on changes recognised in equity			0		0	0		0
Comprehensive income	0	0	-2	0	-401	-403	-3	-406
Reduction of capital on 11 November 2010	-1,215			1,215				0
Share issue on 30 December 2010	1,562					1,562		1,562
Cost relating to share issue					-63	-63		-63
Purchase and sale of treasury shares					9	9		9
Purchase and sale of treasury shares in subsidiaries					-2	-2	-2	-4
Tax on changes recognised in equity					0	0		0
Change in share attributable to minority interests					0	0	-34	-34
<b>Changes in shareholders' equity</b>	<b>347</b>	<b>0</b>	<b>-2</b>	<b>1215</b>	<b>-457</b>	<b>1103</b>	<b>-39</b>	<b>1,064</b>
<b>Shareholders' equity at 31 December 2010</b>	<b>1,735</b>	<b>182</b>	<b>0</b>	<b>1,215</b>	<b>1,466</b>	<b>4,598</b>	<b>160</b>	<b>4,758</b>

The contingency funds are allocated from untaxed funds and are required, according to the articles of association, to be used for the benefit of policyholders. A deferred tax provision has been made for the contingency funds.

DKKm	2010	2009
Shareholders' equity at 31 December excluding minority interests	4,598	3,495
Consolidation of Pensionskassen under Alm. Brand A/S	-8	-9
<b>Shareholders' equity according to the rules of the Danish Financial Supervisory Authority excluding minority interests</b>	<b>4,590</b>	<b>3,486</b>

Pensionskassen under Alm. Brand A/S is consolidated in the financial statements of the Alm. Brand Group, which leads to a difference relative to the shareholders' equity of the parent company Alm. Brand A/S.

# CASH FLOW STATEMENT

DKKm	Group	
	2010	2009
<b>Cash flows from operating activities</b>		
Premiums received	5,284	5,454
Claims paid	-4,512	-4,320
Interest, dividends, etc. received	1,652	2,152
Interest paid	-395	-628
Payments concerning reinsurance	-193	-112
Fee income received	161	144
Fee income paid	-43	-45
Expenses paid	-1,270	-1,562
Tax on pension investment returns paid	8	-171
Acquisition of intangible assets, furniture, equipment, etc.	7	-6
Other ordinary income received	23	17
Taxes paid/received	9	-4
<b>Cash flows from operating activities</b>	<b>731</b>	<b>919</b>
<b>Change in investment placement (net)</b>		
Properties acquired or converted	-5	9
Sale of property		0
Sale/acquisition of equity investments	20	42
Sale/repayment of mortgage deeds and loans	1,328	376
Divestment Kjøbenhavnske Reassurance	0	150
Sale/purchase of bonds	-1,697	-5,957
Change in receivables from credit institutions over 3 months	0	311
<b>Change in investment placement (net)</b>	<b>-354</b>	<b>-5,069</b>
<b>Change in financing</b>		
Other provisions	1	0
Sale/purchase of treasury shares and cost related to share issue	-54	-19
Sale/acquisition of subsidiaries (change in minority interests)	-38	-3
Subordinated debt	0	1,003
Share issue	1,562	0
Change in issued bonds	6,006	-1,367
Change in deposits	-2,271	-45
Change in payables to credit institutions	-4,744	2,749
Change in other liabilities	-303	300
<b>Change in financing</b>	<b>159</b>	<b>2,618</b>
<b>Gross change in cash and cash equivalents</b>	<b>536</b>	<b>-1,532</b>
Exchange rate adjustment of cash and cash equivalents beginning of year	0	4
Disposals relating to divestments	0	-209
<b>Net change in cash and cash equivalents</b>	<b>536</b>	<b>-1,737</b>
Cash and cash equivalents beginning of year	1,380	3,117
<b>Cash and cash equivalents, year end</b>	<b>1,916</b>	<b>1,380</b>
Cash and cash equivalents comprise the following items:		
Cash at bank and in hand	379	49
Amounts due from credit institutions and central bank, see Note 11	767	569
Amounts due from credit institutions and central bank, see Note 11	770	762
	<b>1,916</b>	<b>1,380</b>

# SEGMENT REPORTING, BALANCE SHEET

							2010
DKKm	Note	Non-life	Banking	Life	Other	Elimi- nation	Total
<b>Assets</b>							
Intangible assets	1	82	0	0	0		82
Owner-occupied properties	2	0	0	0	0	1,030	1,030
Deferred tax assets	3	145	501	0	20	-6	660
Investments in associates	4	0	35	35	0	-35	35
Reinsurers' share of insurance contracts	5	163	0	27	0		190
Current tax assets	6	0	116	0	8	-122	2
Other assets	7	621	1,296	261	46	-218	2,006
Loans and advances	8	0	12,485	0	0	0	12,485
Investment properties	9	24	0	1,457	0	-1,030	451
Investment assets	10	8,331	9,676	11,282	3		29,292
Balances due from credit institutions and central banks	11	0	1,472	15	50	0	1,537
Cash in hand and balances at call		17	16	54	371	-79	379
<b>Total assets</b>		<b>9,383</b>	<b>25,597</b>	<b>13,131</b>	<b>498</b>	<b>-460</b>	<b>48,149</b>
<b>Liabilities and equity</b>							
Share capital		0	0	0	1,735		1,735
Reserves, retained earnings, etc.		1,808	1,564	1,122	-1,631	0	2,863
Minority interests		0	195	0	0	-35	160
<b>Consolidated shareholders' equity</b>	12	<b>1,808</b>	<b>1,759</b>	<b>1,122</b>	<b>104</b>	<b>-35</b>	<b>4,758</b>
Subordinated debt	13	149	1,429	120	250	-120	1,828
Provisions for insurance contracts	14	6,920	0	11,493	0		18,413
Other provisions	15	21	110	0	0		131
Deferred tax liabilities	16	0	0	6	46	-6	46
Issued bonds	17	0	6,000	0	32		6,032
Current tax liabilities	6	74	0	48	0	-122	0
Other liabilities	18	379	1,159	328	66	-181	1,751
Deposits	19	0	8,598	0	0	4	8,602
Payables to credit institutions and central banks	20	32	6,542	14	0	0	6,588
<b>Total liabilities and equity</b>		<b>9,383</b>	<b>25,597</b>	<b>13,131</b>	<b>498</b>	<b>-460</b>	<b>48,149</b>
							2009
<b>Assets</b>							
Intangible assets	1	118	0	0	0		118
Owner-occupied properties	2	3	0	0	0	1,032	1,035
Deferred tax assets	3	106	407	0	14	-6	521
Investments in associates	4	0	29	28	17	-28	46
Reinsurers' share of insurance contracts	5	103	0	31	0		134
Current tax assets	6	0	92	0	13	-91	14
Other assets	7	583	1,040	205	40	-218	1,650
Loans and advances	8	0	14,823	0	0		14,823
Investment properties	9	23	0	1,449	0	-1,032	440
Investment assets	10	7,248	9,268	10,818	3	0	27,337
Balances due from credit institutions and central banks	11	485	846	0	0	0	1,331
Cash in hand and balances at call		264	34	160	9	-418	49
<b>Total assets</b>		<b>8,933</b>	<b>26,539</b>	<b>12,691</b>	<b>96</b>	<b>-761</b>	<b>47,498</b>
<b>Liabilities and equity</b>							
Share capital		0	0	0	1,388		1,388
Reserves, retained earnings, etc.		1,753	1,362	1,192	-2,200	0	2,107
Minority interests		0	227	0	0	-28	199
<b>Consolidated shareholders' equity</b>	12	<b>1,753</b>	<b>1,589</b>	<b>1,192</b>	<b>-812</b>	<b>-28</b>	<b>3,694</b>
Subordinated debt	13	149	1,436	120	249	-120	1,834
Provisions for insurance contracts	14	6,631	0	11,263	0		17,894
Other provisions	15	22	68	0	0		90
Deferred tax liabilities	16	0	0	6	46	-6	46
Issued bonds	17	0	0	0	26		26
Current tax liabilities	6	86	0	9	0	-95	0
Other liabilities	18	292	1,044	94	587	-290	1,727
Deposits	19	0	11,096	0	0	-222	10,874
Payables to credit institutions and central banks	20	0	11,306	7	0		11,313
<b>Total liabilities and equity</b>		<b>8,933</b>	<b>26,539</b>	<b>12,691</b>	<b>96</b>	<b>-761</b>	<b>47,498</b>

## SEGMENT REPORTING, INCOME STATEMENT

							2010
DKK M	Note	Non-life	Banking	Life	Other	Elimi- nation	Total
<b>Income</b>							
Premiums	21	4,762	0	719	0		5,481
Interest income, etc.	22	287	974	443	1	-6	1,699
Fee income, etc.	23	0	158	0	0	-35	123
Other income from investment activities	24	1	0	85	0	-79	7
Profit/loss from investments in associates	25	0	6	7	0	-7	6
Other income	26	2	23	0	0		25
<b>Total income</b>		<b>5,052</b>	<b>1,161</b>	<b>1,254</b>	<b>1</b>	<b>-127</b>	<b>7,341</b>
<b>Costs</b>							
Claims expenses	27	-3,702	0	-1,056	0		-4,758
Interest expenses	28	-127	-421	-4	-34	6	-580
Other expenses from investment activities		-19	0	-29	-22	35	-35
Impairment of loans, advances and receivables, etc.	29	0	-660	0	0		-660
Acquisition costs and administrative expenses	30	-839	-599	-73	0	79	-1,432
Other costs	31	0	0	0	0		0
<b>Total costs</b>		<b>-4,687</b>	<b>-1,680</b>	<b>-1,162</b>	<b>-56</b>	<b>120</b>	<b>-7,465</b>
Profit/loss from business ceded	32	-136	0	2	0		-134
Change in life insurance provisions	33	0	0	65	0		65
Change in collective bonus potential		0	0	-292	0	13	-279
Value adjustments	34	-22	-346	428	0	-13	47
Tax on pension investment returns	35	0	0	-114	0		-114
<b>Profit/loss before tax</b>		<b>207</b>	<b>-865</b>	<b>181</b>	<b>-55</b>	<b>-7</b>	<b>-539</b>
Tax	36	-51	222	-50	14		135
<b>Profit/loss after tax</b>		<b>156</b>	<b>-643</b>	<b>131</b>	<b>-41</b>	<b>-7</b>	<b>-404</b>
							2009
<b>Income</b>							
Premiums	21	4,714	0	710	10		5,434
Interest income, etc.	22	379	1,114	472	45	-15	1,995
Fee income, etc.	23	0	140	0	0	-40	100
Other income from investment activities	24	0	0	83	0	-60	23
Profit from investments in joint ventures	25	0	1	8	-1	-8	0
Other income	26	2	17	0	0		19
<b>Total income</b>		<b>5,095</b>	<b>1,272</b>	<b>1,273</b>	<b>54</b>	<b>-123</b>	<b>7,571</b>
<b>Costs</b>							
Claims expenses	27	-3,601	0	-889	-9		-4,499
Interest expenses	28	-161	-643	-7	-7	15	-803
Other expenses from investment activities		-29	0	-25	-13	40	-27
Impairment of loans, advances and receivables, etc.	29	0	-1,451	0	0		-1,451
Acquisition costs and administrative expenses	30	-872	-750	-67	-41	60	-1,670
Other costs	31	0	0	0	0		0
<b>Total costs</b>		<b>-4,663</b>	<b>-2,844</b>	<b>-988</b>	<b>-70</b>	<b>115</b>	<b>-8,450</b>
Profit/loss from business ceded	32	-146	0	5	5		-136
Change in life insurance provisions	33	0	0	-233	0		-233
Change in collective bonus potential		0	0	-225	0	0	-225
Value adjustments	34	1	-257	448	6	0	198
Tax on pension investment returns	35	0	0	-141	0		-141
<b>Profit/loss before tax</b>		<b>287</b>	<b>-1,829</b>	<b>139</b>	<b>-5</b>	<b>-8</b>	<b>-1,416</b>
Tax	36	-79	433	-26	8		336
<b>Profit/loss after tax</b>		<b>208</b>	<b>-1,396</b>	<b>113</b>	<b>3</b>	<b>-8</b>	<b>-1,080</b>

# OVERVIEW OF NOTES

## NOTES WITH REFERENCE

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# NOTER

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 1 Intangible assets</b>										
Software	82	0			82	118	0			118
Goodwill	0	0			0	0	0			0
<b>Intangible assets, year-end</b>	<b>82</b>				<b>82</b>	<b>118</b>	<b>0</b>			<b>118</b>
<i>Software</i>										
Cost beginning of year	338	52			390	337	39			376
Additions during the year	0	0			0	1	13			14
Disposals during the year	0	-52			-52	0	0			0
<b>Cost, year-end</b>	<b>338</b>				<b>338</b>	<b>338</b>	<b>52</b>			<b>390</b>
Accumulated amortisation and impairment, beginning of year	-220	-52			-272	-182	0			-182
Amortisation	-36	0			-36	-38	0			-38
Impairment	0				0	0	-52			-52
Reversal of prior years' amortisation and impairment	0	52			52	0	0			0
<b>Accumulated amortisation and impairment, year-end</b>	<b>-256</b>				<b>-256</b>	<b>-220</b>	<b>-52</b>			<b>-272</b>
<b>Software, year-end</b>	<b>82</b>	<b>0</b>			<b>82</b>	<b>118</b>	<b>0</b>			<b>118</b>
<i>Goodwill</i>										
Cost beginning of year		49			49		49			49
Additions during the year		0			0		0			0
Disposals during the year		-49			-49		0			0
<b>Cost, year-end</b>							<b>49</b>			<b>49</b>
Accumulated amortisation and impairment, beginning of year		-49			-49		0			0
Amortisation		0			0		0			0
Impairment		0			0		-49			-49
Reversal of prior years' amortisation and impairment		49			49		-49			-49
<b>Accumulated amortisation and impairment, year-end</b>		<b>0</b>			<b>0</b>		<b>-98</b>			<b>-98</b>
<b>Goodwill, year-end</b>		<b>0</b>			<b>0</b>		<b>0</b>			<b>0</b>
<b>Note 2 Owner-occupied properties</b>										
Cost beginning of year	1				1,062	3				1,063
Additions during the year	0				1	0				1
Disposals during the year	-1				-1	-2				-2
<b>Cost, year-end</b>					<b>1,062</b>	<b>1</b>				<b>1,062</b>
Accumulated revaluations beginning of year	2				60	8				66
Additions revaluation beginning of year	0				0	0				0
Revaluations during the year	0				15	0				5
Reversal of prior year revaluation through shareholders' equity	-2				-4	-6				-11
<b>Accumulated revaluations, year-end</b>					<b>71</b>	<b>2</b>				<b>60</b>
Accumulated depreciation and impairment, beginning of year	0				-87	0				-93
Impairment for the year	0				-20	0				-4
Reversal of prior year impairment through the income statement	0				4	0				10
<b>Accumulated depreciation and impairment, year-end</b>					<b>-103</b>					<b>-87</b>
<b>Owner-occupied properties, year-end</b>	<b>0</b>				<b>1,030</b>	<b>3</b>				<b>1,035</b>

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Restated value beginning of year	3				1,035	11				1,036
Additions during the year	0				1	0				1
Disposals during the year	-1				-1	-2				-2
Value adjustment recognised through the income statement	0				-16	0				6
Value adjustment recognised through shareholders' equity	-2				11	-6				-6
<b>Restated value, year-end</b>					<b>1,030</b>	<b>3</b>				<b>1,035</b>
Average return, office property					6.02%					6.11%

The group's owner-occupied properties are classified as investment properties in the life group, so the reclassification has only been made in the consolidated balance sheet.

### Note 3 Deferred tax assets

Deferred tax assets beginning of year	106	407	-6	14	521	93	68	9	25	195
Disposals relating to divestments	0	0	0	0	0	0	0	0	-12	-12
Prior-year adjustment	16	-15	0	0	1	6	0	0	0	6
Tax through equity	0	0	0	0	0	0	0	0	0	0
Change for the year	23	109	0	6	138	7	339	-15	1	332
<b>Deferred tax assets, year-end</b>	<b>145</b>	<b>501</b>	<b>-6</b>	<b>20</b>	<b>660</b>	<b>106</b>	<b>407</b>	<b>-6</b>	<b>14</b>	<b>521</b>
Deferred tax on net fees	0	0	0	0	0	0	-3	0	0	-3
Deferred tax on equipment	38	2	0	7	47	25	1	0	6	32
Deferred tax on shares and bonds	0	-7	0	0	-7	0	0	0	0	0
Deferred tax on real estate	0	0	-7	0	-7	-2	3	-7	0	-6
Deferred tax on goodwill	78	0	1	0	79	78	0	1	0	79
Deferred tax on other intangibles	0	0	0	0	0	0	0	0	0	0
Deferred tax on lease assets	0	104	0	0	104	0	85	0	0	85
Deferred tax on provisions	29	7	0	3	39	5	21	0	5	31
Deferred tax on losses carried forward	0	395	0	10	405	0	300	0	3	303
<b>Deferred tax assets, year-end</b>	<b>145</b>	<b>501</b>	<b>-6</b>	<b>20</b>	<b>660</b>	<b>106</b>	<b>407</b>	<b>-6</b>	<b>14</b>	<b>521</b>

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group had total tax assets of some DKK 671 million at 31 December 2010, of which DKK 660 million has been capitalised.

### Note 4 Investments in associates

#### Investments in associates

Cost beginning of year	29	45			29	29	43			29
Additions	0	0			0	0	2			0
Disposals	0	0			0	0	0			0
<b>Cost, year-end</b>	<b>29</b>	<b>45</b>			<b>29</b>	<b>29</b>	<b>45</b>			<b>29</b>
Revaluations and impairment beginning of year	0	-17			0	-1	-25			-1
Profit/loss for the year	6	7			6	1	8			1
Reversal of adjustments	0	0			0	0	0			0
<b>Revaluations and impairment, year-end</b>	<b>6</b>	<b>-10</b>			<b>6</b>	<b>0</b>	<b>-17</b>			<b>0</b>
<b>Investment in associates, year-end</b>	<b>35</b>	<b>35</b>			<b>35</b>	<b>29</b>	<b>28</b>			<b>29</b>

#### Investments in joint ventures

Cost beginning of year			60	60				60	60	
Disposals			-60	-60				0	0	
<b>Cost, year-end</b>			<b>0</b>	<b>0</b>				<b>60</b>	<b>60</b>	
Revaluations and impairment beginning of year			-43	-43				-42	-42	
Profit/loss for the year			0	0				-1	-1	
Disposals			43	43				0	0	
<b>Revaluations and impairment, year-end</b>			<b>0</b>	<b>0</b>				<b>-43</b>	<b>-43</b>	
<b>Investment in joint ventures, year-end</b>			<b>0</b>	<b>0</b>				<b>17</b>	<b>17</b>	
<b>Investment in joint ventures, year-end</b>		<b>35</b>	<b>35</b>	<b>0</b>	<b>35</b>		<b>29</b>	<b>28</b>	<b>17</b>	<b>46</b>

Investments in associates comprise Invest Administration A/S, Nordic Corporate Investments A/S and Hirlap Finans ApS. Alm. Brand's ownership interest is 50% in Invest Administration A/S, 25% in Nordic Corporate Investment A/S and 25% in Hirlap Finans ApS. In addition, Alm. Brand Liv og Pension A/S' part of the affiliated company Alm. Brand Formue A/S is included. The investment is eliminated at group level.

Investments in joint ventures comprise Alm. Brand's investment in EDC-udvikling a/s. Alm. Brand's 50% ownership was sold in 2010.

DKKm	2010			2009		
	Net income	Total assets	Total liabilities	Net income	Total assets	Total liabilities
<i>Key figures of associates</i>						
Invest Administration A/S	16	12	3	10	8	4
Nordic Corporate Investmensts A/S	14	184	65	10	272	162
Hirlap Finans ApS	0	1	1	0	0	0
EDC-udvikling a/s	0	0	0	-1	37	0

DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
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**Note 5 Reinsurers' share of insurance contracts**

Reinsurers' share of life insurance provisions	0		24		24	0		27	0	27
Reinsurers' share of premium provisions	5		0		5	2		0	0	2
Reinsurers' share of claims provisions	158		3		161	101		4	0	105
<b>Reinsurers' share of insurance contracts, year-end</b>	<b>163</b>		<b>27</b>		<b>190</b>	<b>103</b>		<b>31</b>		<b>134</b>

*Reinsurers' share of life insurance provisions*

Beginning of year			27		27			25		25
Change for the year			-3		-3			2		2
<b>Reinsurers' share of life insurance provisions, year-end</b>			<b>24</b>		<b>24</b>			<b>27</b>		<b>27</b>

*Reinsurers' share of premium provisions*

Beginning of year	2		0		2	2		0	0	2
Premiums ceded	-238		0		-238	-212		0	0	-212
Payments to reinsurers	241		0		241	212		0	0	212
Discounting	0		0		0	0		0	0	0
<b>Reinsurers' share of premium provisions, year-end</b>	<b>5</b>		<b>0</b>	<b>0</b>	<b>5</b>	<b>2</b>		<b>0</b>	<b>0</b>	<b>2</b>

*Reinsurers' share of claims provisions*

Beginning of year	101		4		105	65		2	123	190
Disposals relating to divestments	0		0		0	0		0	-123	-123
Value adjustment	0		0		0	0		0	0	0
Claims ceded	96		-30		66	63		-24	0	39
Payments received from reinsurers	-40		29		-11	-28		26	0	-2
Discounting	1		0		1	1		0	0	1
<b>Reinsurers' share of claims provisions, year-end</b>	<b>158</b>		<b>3</b>	<b>0</b>	<b>161</b>	<b>101</b>		<b>4</b>	<b>0</b>	<b>105</b>

Alm. Brand is automatically notified about any changes to the security rating of reinsurance companies and their financial figures. This provides an overview of the reinsurance market and allows the group to identify potential financial difficulties (run-off) in any of the companies with which it collaborates.

If the security rating of a reinsurer is downgraded to below the level prevailing at the signing of the contract, Alm. Brand has a contractual right to terminate the contract.

Any commutation proposals/agreements at less than 100% of the claims provisions are registered, and any disputes that the group might have with its reinsurers are taken into consideration.

Based on the above, at the balance sheet date, the group assesses whether there are any doubtful receivables from reinsurers. If that is the case, an impairment loss is recognised.

Alm. Brand has no significant concentrations of credit risks on reinsurers.

Reinsurance is calculated on the basis of gross claims incurred based on the given retention rates. See the section on risk for a more detailed description of retention rates. The sensitivity of reinsurance to changes in assumptions is similar to that for gross claims expenses.

There is a direct correlation between reinsurance and gross provisions, so the level of the reinsurance provisions is considered to be adequate at all times.

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 6 Current tax assets</b>										
Current tax assets beginning of year	-86	92	-9	13	10	-56	135	6	-66	19
Prior-year tax adjustment	-16	13	0	0	-3	-6	3	0	0	-3
Tax received in respect of prior years	102	-107	9	-13	-9	62	-138	-6	66	-16
Tax paid during the year	0	2	2	0	4	0	1	2	11	14
Tax on profit/loss for the year	-74	116	-50	8	0	-86	91	-11	2	-4
<b>Current tax assets, year-end</b>	<b>-74</b>	<b>116</b>	<b>-48</b>	<b>8</b>	<b>2</b>	<b>-86</b>	<b>92</b>	<b>-9</b>	<b>13</b>	<b>10</b>

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 7 Other assets</b>										
Receivables from policyholders	114	0	29	0	143	142	0	26	0	168
Receivables from insurance brokers	21	0	0	0	21	14	0	0	0	14
Receivables from insurance companies	0	0	9	0	9	0	0	0	0	0
Receivables from subsidiaries	190	0	0	0	0	190	0	0	0	0
Other receivables	73	0	28	38	111	37	0	26	31	66
Positive market value of derivatives	0	458	0	0	458	0	537	0	0	537
Furniture and equipment, computers, cars, etc.	30	47	0	0	77	37	48	0	0	85
Other assets	15	108	43	0	166	0	66	0	0	66
Pensionskassen under Alm. Brand A/S	0	0	0	8	8	0	0	0	9	9
Assets temporarily acquired	0	513	0	0	513	0	86	0	0	86
Interest receivable	149	163	136	0	448	134	294	137	0	565
Prepayments	29	7	16	0	52	29	9	16	0	54
<b>Other assets, year-end</b>	<b>621</b>	<b>1,296</b>	<b>261</b>	<b>46</b>	<b>2,006</b>	<b>583</b>	<b>1,040</b>	<b>205</b>	<b>40</b>	<b>1,650</b>
<i>Furniture and equipment, computers, cars, etc.</i>										
Cost beginning of year	223	74		0	297	224	20		3	247
Adjustment beginning of year	0	0		0	0	0	76		0	76
Additions during the year	11	23		0	34	11	15		0	26
Disposals during the year	-12	-29		0	-41	-12	-37		-3	-52
Cost, year-end	222	68		0	290	223	74		0	297
Accumulated depreciation and impairment,										
beginning of year	-186	-26		0	-212	-176	-8		-3	-187
Adjustment beginning of year	0	0		0	0	0	-28		0	-28
Depreciation for the year	-11	-10		0	-21	-15	-10		0	-25
Depreciation on disposals	5	15		0	20	5	20		3	28
Accumulated depreciation and impairment, year-end	-192	-21		0	-213	-186	-26		0	-212
Furniture and equipment, computers, cars, etc., year-end										
	30	47		0	77	37	48		0	85
Future minimum lease payments for assets held under operating leases										
Term of 1 year or less		11			11					
Term of 1-5 years		30			30					
Term of 5 years or more		0			0					
Total		41			41					
Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S										
Discount rate beginning of year					2.45%					2.65%
Expected return on plan assets beginning of year					3.60%					3.40%
Present value of commitment beginning of year					-115					-124
Interest expenses					-3					-3
Benefits paid					12					12
Actuarial gains/losses on commitment					-6					0
Present value of commitment year-end					-112					-115
Fair value of plan assets beginning of year					124					132
Expected return on plan assets					4					5
Benefits paid					-12					-13
Actuarial gains/losses on plan assets					4					0
Fair value of plan assets year-end					120					124
Present value of commitment					-112					-115
Fair value of plan assets					120					124
Net asset recognised in the balance sheet					8					9
Interest expenses					-3					-3
Expected return on plan assets					4					4
Actuarial gains/losses recognised					-2					0
Costs recognised in the income statement					-1					1
Net asset beginning of year					9					8
Costs recognised in the income statement					-1					1
Net asset recognised in the balance sheet					8					9
Expected return on plan assets					4					5
Actuarial gains/losses on plan assets					4					0
Actual return on plan assets					8					5

DKK M	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 8 Loans and advances</b>										
Loans and advances at fair value		2,190			2,190		2,262			2,262
Loans and advances at amortised cost		10,295			10,295		12,561			12,561
<b>Loans and advances, year-end</b>		<b>12,485</b>			<b>12,485</b>		<b>14,823</b>			<b>14,823</b>
<i>Loans and advances at fair value</i>										
Mortgage deeds		2,190			2,190		2,262			2,262
Loans and advances at fair value, year-end		2,190			2,190		2,262			2,262
Mortgage deeds are measured at fair value, using a valuation method estimating the present value of expected future cash flows. The valuation is based on observable market data (interest rates) in combination with expectations as to future prepayment and loss rates.										
<i>Loans and advances at amortised cost</i>										
Loans		11,389			11,389		14,050			14,050
Leases		193			193		308			308
		11,582			11,582		14,358			14,358
Impairment etc.		-1,287			-1,287		-1,797			-1,797
<b>Loans and advances at amortised cost, year-end</b>		<b>10,295</b>			<b>10,295</b>		<b>12,561</b>			<b>12,561</b>
<i>Gross investment in finance leases</i>										
Term of less than one year		78			78		86			86
Term of between one and five years		120			120		249			249
Term of more than five years		9			9		6			6
		207			207		341			341
Unearned financial income		-14			-14		-33			-33
<b>Net investment in finance leases, year-end</b>		<b>193</b>			<b>193</b>		<b>308</b>			<b>308</b>
<i>Net investment in finance leases</i>										
Term of less than one year		76			76		82			82
Term of between one and five years		110			110		221			221
Term of more than five years		7			7		5			5
<b>Net investment in finance leases, year-end</b>		<b>193</b>			<b>193</b>		<b>308</b>			<b>308</b>
Of this, any unguaranteed residual value		0			0		0			0
Impairment of finance leases		5			5		15			15
<i>Value of loans and advances for which there is an objective indication of impairment</i>										
<i>Individual assessment</i>										
Loans and advances before impairment		3,193			3,193		3,593			3,593
Impairment, etc.		-1,196			-1,196		-1,724			-1,724
<b>Individual assessment, year-end</b>		<b>1,997</b>			<b>1,997</b>		<b>1,869</b>			<b>1,869</b>
<i>Group assessment</i>										
Loans and advances before impairment		6,904			6,904		8,812			8,812
Impairment, etc.		-91			-91		-72			-72
<b>Group assessment, year-end</b>		<b>6,813</b>			<b>6,813</b>		<b>8,740</b>			<b>8,740</b>
<b>Loans and advances after impairment, year-end</b>		<b>8,810</b>			<b>8,810</b>		<b>10,609</b>			<b>10,609</b>

As part of the risk management efforts, the fair value of fixed-rate loans is periodically hedged through the use of derivative financial instruments, see note 48.

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 9 Investment properties</b>										
Carrying amount beginning of year	23		1,449		440	25		1,451		451
Additions during the year	0		6		5	0		8		7
Disposals during the year	0		0		0	0		0		0
Value adjustments	1		2		6	-2		-10		-18
<b>Investment properties, year-end</b>	<b>24</b>		<b>1,457</b>		<b>451</b>	<b>23</b>		<b>1,449</b>		<b>440</b>
Average return, office property	6.07%		6.30%		6.63%	7.08%		6.27%		6.71%
Average return, residential property			6.43%		6.00%			6.00%		6.00%
Total average return	6.07%		6.79%		6.58%	7.08%		6.26%		6.66%

Some of the life group's investment properties are used by the group as owner-occupied properties, so the properties are classified as owner-occupied properties in the consolidated balance sheet. See note 2.

<b>Note 10 Investment assets</b>										
Government bonds	684	1	3,890	0	4,575	1,362	2	3,388	0	4,752
Mortgage bonds	7,391	8,997	5,730	0	22,118	5,595	8,674	5,636	0	19,905
Other fixed-rate instruments	115	23	264	0	402	167	68	425	0	660
Other floating-rate instruments	98	0	131	2	231	94	0	205	2	301
Listed shares	0	461	899	0	1,360	0	313	842	0	1,155
Unlisted shares	23	194	231	1	449	22	211	241	1	475
Other	20	0	137	0	157	8	0	81	0	89
<b>Investment assets, year-end</b>	<b>8,331</b>	<b>9,676</b>	<b>11,282</b>	<b>3</b>	<b>29,292</b>	<b>7,248</b>	<b>9,268</b>	<b>10,818</b>	<b>3</b>	<b>27,337</b>

The group's holding of listed and unlisted shares had a market value of DKK 1,809 million at 31 December 2010 (2009: DKK 1,630 million). A significant part of the group's equity exposure is achieved through the use of derivatives such as options and futures. The aggregate equity exposure, including derivatives, was DKK 2,156 million at 31 December 2010 (2009: DKK 1,887 million).

The bank's portfolio of financial instruments is recognised under other assets and other liabilities. Please refer to the bank's annual report for further details on the positions.

<b>Note 11 Balances due from credit institutions and central banks</b>										
Balances at notice with central banks	0	595	0	0	595	0	0	0	0	0
Balances due from credit institutions	0	877	15	50	942	485	846	0	0	1,331
<b>Balances due from credit institutions and central banks, year-end</b>	<b>0</b>	<b>1,472</b>	<b>15</b>	<b>50</b>	<b>1,537</b>	<b>485</b>	<b>846</b>	<b>0</b>	<b>0</b>	<b>1,331</b>
<i>By term to maturity:</i>										
Balances at call	0	767	0	0	767	0	569	0	0	569
Up to and including 3 months	0	705	15	50	770	485	277	0	0	762
Over 3 months and up to and including 1 year	0	0	0	0	0	0	0	0	0	0
Year-end	0	1,472	15	50	1,537	485	846	0	0	1,331

Receivables in connection with genuine purchase and resale transactions:

Due from credit institutions and central banks	0				0		0			0
Other debtors	0				0		94			94
Year-end	0				0		94			94

<b>Note 12 Consolidated shareholders' equity</b>										
Share capital					1,388					1,476
Reduction of capital on 11 November 2010					-1,215					0
Share issue on 30 December 2010					1,562					0
Cancellation of treasury shares					0					-88
<b>Share capital, year-end</b>					<b>1,735</b>					<b>1,388</b>

The share capital consists of 173,500,000 shares of DKK 10 each and has been fully paid up.

The following shareholder has announced that it holds more than 5% of the share capital:

Alm. Brand af 1792 fmba  
Midtermolen 7  
DK-2100 Copenhagen  
Denmark

DKKm	2010	2009	2008	2007	2006
Share capital beginning of year	1,388	1,476	1,668	1,788	1,788
Reduction of capital on 11 November 2010	-1,215	0	0	0	0
Share issue on 30 December 2010	1,562	0	0	0	0
Cancellation of treasury shares	0	-88	-192	-120	0
<b>Share capital, year-end</b>	<b>1,735</b>	<b>1,388</b>	<b>1,476</b>	<b>1,668</b>	<b>1,788</b>

Reference is made to the statement of changes in equity.

DKKm	2010	2009
<i>Solvency</i>		
Tier 1 capital after deductions	4,591	3,670
Capital base after deductions	4,540	3,679
Weighted items subject to credit risks	13,859	15,507
Weighted items subject to market risks	1,815	2,243
Weighted items subject to operational risks	558	715
<b>Total weighted items</b>	<b>16,232</b>	<b>18,465</b>
Tier 1 capital after deductions as a percentage of total weighted items	28.3%	19.9%
Solvency ratio	28.0%	19.9%

The risk-weighted items have been prepared in accordance with the Danish Financial Business Act.

#### *No. of shares*

Reconciliation of the no. of shares (1,000)		
Issued shares beginning of year	17,350	18,450
Treasury shares beginning of year	-515	-1,376
<b>No. of shares beginning of year</b>	<b>16,835</b>	<b>17,074</b>
Shares bought back	0	-391
Employee shares issued	94	153
Share issue	156,150	0
Cancellation of treasury shares	0	1,100
Issued shares year end	173,500	17,350
Treasury shares year end	-421	-515
<b>No. of shares at year end</b>	<b>173,079</b>	<b>16,835</b>

#### *Treasury shares*

Carrying amount beginning of year	0	0
Value adjustment	9	69
Acquired during the year	0	30
Sold during the year	-7	-11
Sale of Pre-emptive Rights	-2	0
Cancellation of treasury shares	0	-88
<b>Treasury shares, year-end</b>	<b>0</b>	<b>0</b>

Nominal value beginning of year	41	110
Acquired during the year	0	31
Sold during the year	-7	-12
Sold during the year	-38	0
Allocation of Pre-emptive Rights	38	0
Cancellation of treasury shares	0	-88
<b>Reduction of capital</b>	<b>-30</b>	<b>0</b>
<b>Nominal value, year-end</b>	<b>4</b>	<b>41</b>

Holding (no. of shares) beginning of year	515	1,377
Acquired during the year	0	391
Sold during the year	-94	-153
Sale of Pre-emptive Rights	-3,793	0
Allocation of Pre-emptive Rights	3,793	0
Cancellation of treasury shares	0	-1,100
<b>Holding (no. of shares), year-end</b>	<b>421</b>	<b>515</b>

<b>Percentage of share capital, year-end</b>	<b>0.2%</b>	<b>3.0%</b>
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DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 13 Subordinated debt</b>										
<i>Subordinated loan capital</i>										
Floating rate bullet loans maturing 2013.05.09	0	100	0	0	100	0	100	0	0	100
Floating rate bullet loans maturing 2014.05.09	0	100	0	0	100	0	100	0	0	100
Floating rate bullet loans maturing 2015.12.03	0	200	0	0	200	0	200	0	0	200
Floating rate bullet loans maturing 2020.03.15	0	0	120	0	0	0	0	120	0	0
Floating rate bullet loans maturing 2020.03.15	149	0	0	0	149	149	0	0	0	149
Floating rate bullet loans maturing 2017.09.07	0	0	0	250	250	0	0	0	249	249
<b>Subordinated loan capital, year-end</b>	<b>149</b>	<b>400</b>	<b>120</b>	<b>250</b>	<b>799</b>	<b>149</b>	<b>400</b>	<b>120</b>	<b>249</b>	<b>798</b>
<i>Hybrid loan capital</i>										
Fixed rate bullet loans in DKK with indefinite term: State-funded capital injection, bullet loan i DKK with an indefinite term		175			175		175			175
		854			854		854			854
<b>Hybrid loan capital, year-end</b>		<b>1,029</b>			<b>1,029</b>		<b>1,029</b>			<b>1,029</b>
Hedging of interest rate risk at fair value		0			0		7			7
<b>Subordinated debt, year-end</b>	<b>149</b>	<b>1,429</b>	<b>120</b>	<b>250</b>	<b>1,828</b>	<b>149</b>	<b>1,436</b>	<b>120</b>	<b>249</b>	<b>1,834</b>
Interest on subordinated debt	4	116	4	13	133	5	81	4	5	91
Extraordinary instalments	0	0	0	0	0	0	550	0	0	550
Costs incurred in connection with the raising of the subordinated debt	0	0	0	0	0	0	0	0	1	1

The subordinated loan capital in the non-life insurance segment carries interest at a floating rate of three-month EURIBOR plus 1.80 basis points.

The subordinated loan capital in the banking segment carries interest at a floating rate of three-month CIBOR plus 1.00-3.00 percentage points or six-month CIBOR plus 1.00 percentage points.

The subordinated loan capital in the life insurance segment carries interest at a floating rate of three-month EURIBOR plus 1.80 basis points.

The hybrid loan capital of DKK 175 million was issued on 12 October 2006 and is subject to a rate of interest for the first ten-year term of 5.855%. Subsequently, the capital certificates carry interest at 3M CIBOR plus 2.70 percentage points. As a part of the risk management efforts, the fair value of the hybrid Tier 1 capital is hedged by way of derivative financial instruments. See note 48.

The state-funded capital injection in the form of hybrid Tier 1 capital was issued on 24 September 2009 at an interest rate of 11.01%. During the period from 25 September 2012 to 24 September 2014, the capital injection may be redeemed at par.

The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 4.0 percentage points.

In connection with the calculation of the capital base, DKK 1,803 million of the group's subordinated capital of DKK 1,828 million was recognised in accordance with the applicable rules.

#### Note 14 Provisions for insurance contracts

Unearned premium provisions	1,831		0		1,831	1,801		0	0	1,801
Life insurance provisions	0		10,931		10,931	0		10,994	0	10,994
Outstanding claims provisions	5,089		45		5,134	4,830		44	0	4,874
Collective bonus potential	0		517		517	0		225	0	225
<b>Provisions for insurance contracts, year-end</b>	<b>6,920</b>		<b>11,493</b>		<b>18,413</b>	<b>6,631</b>		<b>11,263</b>	<b>0</b>	<b>17,894</b>
<i>Unearned premium provisions</i>										
Beginning of year	1,801				1,801	1,751			0	1,751
Exchange rate adjustment	0				0	0			0	0
Premiums received	4,771				4,771	4,750			0	4,750
Premiums recognised as income	-4,762				-4,762	-4,714			0	-4,714
Discounting, all years	9				9	12			0	12
Value adjustment, all years	12				12	2			0	2
<b>Unearned premium provisions, year-end</b>	<b>1,831</b>				<b>1,831</b>	<b>1,801</b>			<b>0</b>	<b>1,801</b>

DKKm	2010	2009
<i>Life insurance provisions</i>		
Life insurance provisions beginning of year	10,994	10,758
Accumulated value adjustments beginning of year	-490	-334
Retrospective provisions beginning of year	10,504	10,424
Adjustment negative bonus	-167	0
Change in share of provisions in Forenede Gruppeliv	-2	-1
Gross premiums	719	710
PAL compensation (gross)	0	0
Interest	289	351
Resetting negative bonus	10	0
Claims and benefits	-1,057	-892
Expense supplement after addition of expense bonus	-84	-71
PAL cost	0	0
Risk gain after addition of risk bonus	-48	-45
Change as a result of changes in the level of interest rates and mortality rates (annuities)	1	27
Other changes	0	1
Retrospective provisions, year-end	10,165	10,504
Accumulated value adjustments, year-end	766	490
Life insurance provisions, year-end	10,931	10,994
Guaranteed benefits	9,272	8,862
Bonus potential on future premiums	1,084	1,370
Bonus potential on paid-up policy benefits	575	762
Life insurance provisions, year-end	10,931	10,994

DKKm	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up policy benefits	Total	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up policy benefits	Total
<i>Life insurance provisions per basis</i>								
G82 2%	1,935	855	528	3,318	1,268	1,045	603	2,916
G82 3%	1,023	116	48	1,187	1,112	160	121	1,393
G82 3,49%	1,933	61	37	2,031	2,185	89	89	2,363
G82 5%	3,971	52	-38	3,985	3,857	76	-51	3,882
G82 8%-16%	0	0	0	0	13	0	0	13
L66 4,5%	1	0	0	1	1	0	0	1
Non-guaranteed	232	0	0	232	230	0	0	230
Portfolios without bonus entitlement year-end	9,095	1,084	575	10,754	8,666	1,370	762	10,798
L66 13,6%	1	0	0	1	1	0	0	1
U74 12%-20%	176	0	0	176	195	0	0	195
Portfolios without bonus entitlement year- end	177	0	0	177	196	0	0	196
Life insurance provisions, year-end	9,272	1,084	575	10,931	8,862	1,370	762	10,994

Provisions in Alm. Brand Liv og Pension A/S are stated at market value based on an expected cash flow discounted using the yield curve published by the Danish Financial Supervisory Authority.

DKKm	2010	2009
Guaranteed benefits include a supplement pursuant to section 66(5) of the executive order on the presentation of financial reports by insurance companies, to the effect that the minimum value provided is equal to the guaranteed surrender value.		
The supplement has been calculated taking into account the probability of surrender and totals	7	113
Without taking into account the probability of surrender, the supplement amounts to	7	113
When calculating life insurance provisions at market value, a risk premium has been included, which amounts to	12.00%	12.00%

DKKkm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<i>Outstanding claims provisions</i>										
Beginning of year	4,830		44		4,874	4,509		43	653	5,205
Disposals relating to divestments	0		0		0	0		0	-653	-653
Transferred from premium provisions	0		0		0	0		0	0	0
Exchange rate adjustments	0		0		0	0		0	0	0
Claims paid regarding current year	-2,050		-1,055		-3,105	-2,041		-888	0	-2,929
Claims paid regarding previous years	-1,522		0		-1,522	-1,477		0	0	-1,477
Change in claims regarding current year	3,850		1,056		4,906	3,689		889	0	4,578
Change in claims regarding previous years	-148		0		-148	-88		0	0	-88
Discounting	114		0		114	141		0	0	141
Value adjustment, all years	58		0		58	58		0	0	58
Hedging of inflation risk	-43		0		-43	39		0	0	39
<b>Outstanding claims provisions, year-end</b>	<b>5,089</b>		<b>45</b>		<b>5,134</b>	<b>4,830</b>		<b>44</b>	<b>0</b>	<b>4,874</b>

The determination of expected future inflation is explained in the accounting policies. For provisions for workers' compensation the inflation factor applied for 2010 is 3.27%.

DKKkm	2005	2006	2007	2008	2009	2010	Total
<i>Run-off triangle, gross</i>							
Estimated accumulated claims							
Year-end		3,560	2,824	3,241	3,604	3,756	3,884
1 year later		3,533	3,021	3,511	3,684	3,737	
2 years later		3,552	2,962	3,558	3,661		
3 years later		3,520	2,914	3,536			
4 years later		3,508	2,917				
5 years later		3,504					
		3,504	2,917	3,536	3,661	3,737	3,884
<b>Paid to date</b>		<b>-3,239</b>	<b>-2,618</b>	<b>-3,094</b>	<b>-3,084</b>	<b>-2,913</b>	<b>-2,020</b>
Provisions before discounting effect, year-end		265	299	442	577	824	1,864
Discounting effect		-1	-2	-4	-8	-14	-29
<b>Accumulated value change, health and personal accident insurance</b>		<b>4</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>7</b>
		268	299	442	575	815	1,842
<b>Provisions from 2004 and prior years</b>							<b>848</b>
<b>Gross outstanding claims provisions, year-end</b>							<b>5,089</b>
<i>Run-off triangle, net of reinsurance</i>							
Estimated accumulated claims							
Year-end		2,768	2,802	3,234	3,589	3,703	3,808
1 year later		2,739	3,004	3,498	3,671	3,680	
2 years later		2,754	2,945	3,540	3,639		
3 years later		2,744	2,900	3,520			
4 years later		2,740	2,908				
5 years later		2,739					
		2,739	2,908	3,520	3,639	3,680	3,808
<b>Paid to date</b>		<b>-2,489</b>	<b>-2,609</b>	<b>-3,089</b>	<b>-3,079</b>	<b>-2,906</b>	<b>-2,020</b>
Provisions before discounting effect, year-end		250	299	431	560	774	1,788
Discounting effect		-1	-2	-4	-8	-13	-29
<b>Accumulated value change, health and personal accident insurance</b>		<b>6</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>10</b>
		255	301	433	558	767	1,769
<b>Provisions from 2004 and prior years</b>							<b>850</b>
<b>Outstanding claims provisions year-end, net of reinsurance</b>							<b>4,933</b>

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2005 to 2010. The stated liabilities were calculated excluding discounting, thus eliminating fluctuations due to changes in discount rates and discounting methods. Worker's compensation and health and personal accident insurance are, however, calculated including discounting. The development is presented gross as well as net of reinsurance.

DKKkM	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<i>Undiscounted expected cash flows</i>										
<u>Life insurance provisions</u>										
Cash flow 1 year or less			333		333			279		279
Cash flow 1-5 years			1,470		1,470			1,343		1,343
Cash flow 5 years or more			13,713		13,713			14,458		14,458
<u>Gross claims provisions</u>										
Cash flow 1 year or less	1,902		45		1,947	1,773		43		1,816
Cash flow 1-5 years	1,502		0		1,502	1,457		0		1,457
Cash flow 5 years or more	1,511		0		1,511	1,453		0		1,453
<i>Collective bonus potential</i>										
Beginning of year			225		225			0		0
Provisions for the year through profit or loss			292		279			225		225
Transferred from revaluation reserves from equity			0		13			0		0
Collective potential, year end			517		517			225		225

*Calculation of claims provisions*

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provision models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation consists of an inflation element and a real wage element.

Am. Brand introduced a more precise method for discounting claims provisions in 2009. The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the adjusted yield curve of the Danish Financial Supervisory Authority. In workers' compensation, provisions relating to claims years more than ten years back are also discounted.

*Sensitivity of provisions*

Social inflation may have a great impact on our results and the size of outstanding claims provisions. Social inflation can be a tendency for the courts to increase claims payments, changed case handling procedures with the public authorities which lead to higher claims and legislative changes that affect benefit levels, also with retro-active effect.

Social inflation has a particular impact on claims levels within workers' compensation, vehicle and liability insurance.

When discounted provisions are made, expectations of the future inflation and discount rates on long-tail business are sensitive to changes.

*Adequacy of provisions*

The outstanding claims provisions are calculated using actuarial methods and with due consideration to avoiding run-off losses and run-off gains. At the time they are calculated, the provisions represent the best estimate of future claims expenses in respect of the current and earlier claims years. The outstanding claims provisions are recalculated every month, which means that the level is considered adequate at all times.

DKKkM	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 15 Other provisions</b>										
Provisions for jubilees, severance payments, etc.	21	2			23	22	3		0	25
Provisions for losses on guarantees	0	108			108	0	65		0	65
Other provisions	0	0			0	0	0		0	0
<b>Other provisions, year-end</b>	<b>21</b>	<b>110</b>		<b>0</b>	<b>131</b>	<b>22</b>	<b>68</b>		<b>0</b>	<b>90</b>
Provisions for jubilees, severance payment, etc.,										
beginning of year	22	3			25	24	4		32	60
New and adjusted provisions	-1	0			-1	1	0		0	1
Net provisions recognised during the year	-2	-1			-3	-4	-2		-32	-38
Reversed provisions during the year	-1	0			-1	-2	0		0	-2
Discounting effect	3	0			3	3	1		0	4
Provisions for jubilees, severance payment, etc., year-end	21	2			23	22	3		0	25
Provisions for losses on guarantees beginning										
of year		65			65		14			14
Provisions for the year		45			45		52			52
Reversed provisions for the year		-2			-2		-1			-1
Provisions for losses on guarantees, year-end		108			108		65			65

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Other provisions beginning of year									30	30
Provisions for the year									0	0
Reversed provisions for the year									-30	-30
Other provisions, year-end									0	0

Other provisions cover provisions for:

Provisions for jubilees, severance of service, etc. have been calculated using an estimated likelihood of disbursement.

#### Note 16 Deferred tax liabilities

Deferred tax on contingency funds				46	46				46	46
<b>Deferred tax liabilities, year-end</b>				<b>46</b>	<b>46</b>				<b>46</b>	<b>46</b>

The company is liable to pay a possible tax amount in Denmark in respect of recaptured losses in foreign entities. The liability amounts to a maximum of DKK 316 million.

The amount will fall due for payment if the foreign operations exit from the joint taxations scheme before 2015.

#### Note 17 Issued bonds

Floating-rate loan in DDK with expiry on 2013.06.30		6,000		0	6,000		0		0	0
Employee bonds		0		32	32		0		26	26
<b>Issued bonds, year-end</b>		<b>6,000</b>		<b>32</b>	<b>6,032</b>		<b>0</b>		<b>26</b>	<b>26</b>

#### Note 18 Other liabilities

Payables to policyholders	47	0	0	0	47	21	0	0	0	21
Payables related to direct insurance	0	0	7	0	7	0	0	6	0	6
Payables related to reinsurance	4	0	1	0	5	2	0	6	0	8
Payables to subsidiaries	78	49	14	13	0	12	62	4	493	303
Negative market value of derivatives	0	439	0	0	439	0	558	0	0	558
Liabilities temporarily acquired	0	454	0	0	454	0	37	0	0	37
Other payables	250	214	305	53	795	256	384	78	94	790
Deferred income	0	3	1	0	4	1	3	0	0	4
<b>Other liabilities, year-end</b>	<b>379</b>	<b>1,159</b>	<b>328</b>	<b>66</b>	<b>1,751</b>	<b>292</b>	<b>1,044</b>	<b>94</b>	<b>587</b>	<b>1,727</b>

#### Note 19 Deposits

Deposits at call		4,366			4,383		5,429			5,229
At notice		3,285			3,285		4,320			4,320
Time deposits		24			11		373			351
Special categories of deposits		923			923		974			974
<b>Deposits, year-end</b>		<b>8,598</b>			<b>8,602</b>		<b>11,096</b>			<b>10,874</b>

#### Note 20 Payables to credit institutions and central banks

Central banks		0	0		0		1,530	0		1,530
Credit institutions	32	6,542	14		6,588		9,776	7		9,783
<b>Payables to credit institutions and central banks, year-end</b>	<b>32</b>	<b>6,542</b>	<b>14</b>		<b>6,588</b>		<b>11,306</b>	<b>7</b>		<b>11,313</b>

Of which falling due after more than five years	0	0	0		0		0	0		0
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DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 21 Premium income</b>										
Gross premium	4,770		719		5,489	4,750		710	10	5,470
Change in unearned premium provisions	-8		0		-8	-36		0	0	-36
<b>Total premium income</b>	<b>4,762</b>		<b>719</b>		<b>5,481</b>	<b>4,714</b>		<b>710</b>	<b>10</b>	<b>5,434</b>

Direct insurance is exclusively written in Denmark

*Premium income, life insurance*

Regular premiums			629		629			652		652
Single premiums			90		90			58		58
<b>Total premium income, life insurance</b>			<b>719</b>		<b>719</b>			<b>710</b>		<b>710</b>

Individually written insurance			345		345			341		341
Insurance written in employment relationship			210		210			215		215
Group life schemes			164		164			154		154
<b>Total premium income, life insurance</b>			<b>719</b>		<b>719</b>			<b>710</b>		<b>710</b>

*Number of policies ('000)*

Individually written insurance			74		74			77		77
Insurance written in employment relationship			7		7			8		8
Group life schemes			65		65			66		66

All policies written include a bonus arrangement.

The life insurance company only writes direct Danish insurance.

**Note 22 Interest income, etc.**

Equity investments	1	0	18	0	19	0	0	11	0	11
Bonds	275	299	423	0	997	305	231	451	0	987
Loans secured by mortgages	0	172	0	0	172	0	204	0	0	204
Other loans	0	556	0	0	556	0	714	0	0	714
Deposits in credit institutions	6	6	1	0	10	21	33	6	24	73
Other investment assets	5	-59	1	1	-55	53	-68	4	21	6
<b>Total interest income, etc.</b>	<b>287</b>	<b>974</b>	<b>443</b>	<b>1</b>	<b>1,699</b>	<b>379</b>	<b>1,114</b>	<b>472</b>	<b>45</b>	<b>1,995</b>

**Note 23 Fee income, etc.**

Securities trading and deposits		133			98		119			79
Payment transfers		7			7		7			7
Loan fees		1			1		1			1
Commission fees		7			7		9			9
Other fees and commissions		39			39		38			38
Dividends		14			14		10			10
Fees paid		-43			-43		-44			-44
<b>Total fee income, etc.</b>		<b>158</b>			<b>123</b>		<b>140</b>			<b>100</b>

**Note 24 Other income from investment activities**

Rental income	2		140		33	2		135		47
Operation and maintenance - occupied leases	-1		-50		-21	-2		-49		-21
Operation and maintenance - vacant leases	0		-5		-5	0		-3		-3
<b>Total other income from investment activities</b>	<b>1</b>		<b>85</b>		<b>7</b>	<b>0</b>		<b>83</b>		<b>23</b>

**Note 25 Profit/loss from investments in associates**

<b>Investments in associates</b>		<b>6</b>	<b>7</b>	<b>0</b>	<b>6</b>		<b>1</b>	<b>8</b>	<b>-1</b>	<b>0</b>
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Profit/loss from investments in associates comprises the group's share of the profit in EDC-udvikling a/s, Invest Administration A/S, Nordic Corporate Investments A/S and Hirlap Finans ApS. Alm. Brand Liv og Pension A/S's share of the sister company Alm. Brand Formue A/S is recognised under investment in associates. The share is eliminated at group level.

**Note 26 Other income**

Income related to building surveyors	2	0			2	2	0			2
Other	0	23			23	0	17			17
<b>Total other income</b>	<b>2</b>	<b>23</b>			<b>25</b>	<b>2</b>	<b>17</b>			<b>19</b>

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 27 Claims expenses</b>										
Claims paid	-3,572		-1,055		-4,627	-3,518		-889	-47	-4,454
Change in outstanding claims provisions	-130		-1		-131	-83		0	38	-45
<b>Total claims expenses</b>	<b>-3,702</b>		<b>-1,056</b>		<b>-4,758</b>	<b>-3,601</b>		<b>-889</b>	<b>-9</b>	<b>-4,499</b>
Run-off result, gross	147				147	89			-5	84
Run-off result, ceded business	-8				-8	-9			9	0
Run-off result, net	139				139	80			4	84

The run-off result includes value adjustment of inflation swaps used to hedge inflation risk related to workers' compensation.

*Claims and benefits paid, life insurance*

Insurance sums on death			-90		-90			-85		-85
Insurance sums on critical illness			-16		-16			-16		-16
Insurance sums on disability			-7		-7			-8		-8
Insurance sums on expiry			-221		-221			-252		-252
Pension and annuity benefits			-306		-306			-301		-301
Surrenders			-325		-325			-143		-143
Cash bonus payments			-90		-90			-84		-84
<b>Total claims and benefits, life insurance</b>			<b>-1,055</b>		<b>-1,055</b>			<b>-889</b>		<b>-889</b>

**Note 28 Interest expenses**

Credit institutions and central banks	0	-90	0	0	-90	0	-165	0	0	-165
Deposits and other payables	0	-152	0	0	-149	0	-365	0	0	-354
Issued bonds	0	-61	0	-1	-62	0	-30	0	-1	-31
Subordinated debt	-4	-116	-4	-13	-134	-5	-81	-4	-5	-91
Other interest expenses	-1	-2	0	-20	-23	-5	-2	-3	-1	-11
Discounting insurance contracts	-122	0	0	0	-122	-151	0	0	0	-151
<b>Total interest expenses</b>	<b>-127</b>	<b>-421</b>	<b>-4</b>	<b>-34</b>	<b>-580</b>	<b>-161</b>	<b>-643</b>	<b>-7</b>	<b>-7</b>	<b>-803</b>

**Note 29 Impairment of loans, advances and receivables, etc.**

*Individual assessment:*

Impairment and value adjustments, respectively, during the year		-661			-661		-1,408			-1,408
Reversal of impairment in previous years		146			146		20			20
<b>Total individual assessment</b>		<b>-515</b>			<b>-515</b>		<b>-1388</b>			<b>-1388</b>

*Group assessment:*

Impairment and value adjustments, respectively, during the year		-53			-53		-51			-51
Reversal of impairment in previous years		34			34		13			13
<b>Total group assessment</b>		<b>-19</b>			<b>-19</b>		<b>-38</b>			<b>-38</b>

Losses not previously provided for		-152			-152		-54			-54
Bad debts recovered		26			26		29			29
Other losses and provisions		0			0		0			0
<b>Total impairment of loans, advances and receivables, etc.</b>		<b>-660</b>			<b>-660</b>		<b>-1,451</b>			<b>-1,451</b>

**Note 30 Acquisition costs and administrative expenses**

Acquisition commission, etc.	-157	0	-4	0	-161	-159	0	-4	-1	-164
Other acquisition costs	-427	0	-30	0	-457	-458	0	-26	0	-484
Administrative expenses	-255	-599	-39	0	-814	-255	-750	-37	-40	-1,022
<b>Total acquisition costs and administrative expenses</b>	<b>-839</b>	<b>-599</b>	<b>-73</b>	<b>0</b>	<b>-1,432</b>	<b>-872</b>	<b>-750</b>	<b>-67</b>	<b>-41</b>	<b>-1,670</b>
Salaries and wages					-987					-1,076
Pension					-142					-145
Payroll tax, etc.					-94					-98
<b>Total salaries and wages, pension, etc.</b>					<b>-1,223</b>					<b>-1,319</b>

Part of the payroll expenses for the year have been allocated as claims handling costs and are therefore included under claims incurred.

DKKkM	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Average number of employees					1,725					1,859
<b>From this:</b>										
<i>Remuneration to the Management Board (DKK '000)</i>										
Salaries					4,804					24,247
Pension plans					1,250					2,724
<b>Total remuneration to the Management Board</b>					<b>6,054</b>					<b>26,971</b>
<i>Remuneration to the Board of Directors (DKK '000)</i>										
Directors' fees					3,135					2,747
<b>Total remuneration to the Board of Directors</b>					<b>3,135</b>					<b>2,747</b>

No bonus was earned to the members of the Management Board in relation to 2010. Remuneration to the members of the Management Board comprises remuneration to Chief Executive Søren Boe Mortensen. In 2009 remuneration to the members of the Management Board comprises allowances to a former Deputy Chief Executive Officer

Alm. Brand has decided to provide all employees of the group, including the Management Board, with defined contribution pension plans. The group's expenses in relation to the Management Board's pension plans are shown in the above note.

The notice of termination between Alm. Brand and the Management Board is 12 months for either party. If a member of the Management Board is given notice by Alm. Brand, he is entitled to a severance payment equalling 36 months' salary.

A bonus scheme has been established for the Alm. Brand Group's senior management, including the Management Board. The bonus scheme for the Management Board and senior management employees is, along with Alm. Brand's bonus scheme for other managers and specialists, detailed further in the section Employees and development. The bonus scheme has no material effect on the cost level and does not comprise stock options.

The number of Board members was increased by one in 2010.

DKKkM	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<i>Audit fees (DKK '000)</i>										
Deloitte - Audit	1,370	1,442	535	617	3,964	1,020	1,269	537	1,135	3,961
Deloitte - Engagements other than audits and reviews	183	523	13	2,400	3,119	204	705	14	0	923
Deloitte - Tax consultancy	0	0	0	412	412	0	175	0	693	868
Deloitte - Non-audit services	1,058	2,000	0	104	3,162	828	1,168	9	78	2,083
<b>Total audit fees</b>	<b>2,611</b>	<b>3,965</b>	<b>548</b>	<b>3,533</b>	<b>10,657</b>	<b>2,052</b>	<b>3,317</b>	<b>560</b>	<b>1,906</b>	<b>7,835</b>

#### Note 31 Other costs

Expenses relating to building surveyors	0				0	0				0
<b>Total other costs</b>	<b>0</b>				<b>0</b>	<b>0</b>				<b>0</b>

#### Note 32 Profit/loss from business ceded

Reinsurance premiums ceded	-235		-27		-262	-212		-28	-1	-241
Reinsurers' share received	40		27		67	63		28	6	97
Change in reinsurers' share of insurance contracts	55		-1		54	0		2	0	2
Commissions and profit shares from reinsurance companies	4		3		7	3		3	0	6
<b>Total loss from business ceded</b>	<b>-136</b>		<b>2</b>	<b>0</b>	<b>-134</b>	<b>-146</b>		<b>5</b>	<b>5</b>	<b>-136</b>

#### Note 33 Change in life insurance provisions

Guaranteed benefits			-410		-410			-41		-41
Bonus potential on future premiums			287		287			-101		-101
Bonus potential on paid-up policies			187		187			-94		-94
Change in share of provisions in Forenede Gruppeliv			1		1			3		3
Compensation, tax on pension returns			0		0			0		0
<b>Total change in life insurance provisions</b>			<b>65</b>		<b>65</b>			<b>-233</b>		<b>-233</b>

DKK M	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 34 Value adjustments</b>										
<i>Investment assets</i>										
Equity investments	1	-16	136	0	121	-16	89	251	0	324
Unit trust units	0	7	53	0	60	0	16	54	0	70
Bonds	46	-81	260	0	225	73	47	143	0	263
Shares in collective investments	0	0	0	0	0	0	0	0	0	0
Loans secured by mortgages	0	-277	0	0	-277	0	-384	0	0	-384
Other investment assets	0	24	-27	0	-3	2	-19	7	0	-10
Exchange rate adjustments	0	-3	0	0	-3	0	-6	0	6	0
	47	-346	422	0	123	59	-257	455	6	263
<i>Land and buildings</i>										
Investment properties	1	0	6	0	10	-2	0	-7	0	-15
Owner-occupied properties	0	0	0	0	-16	4	0	0	0	10
	48	-346	428	0	117	61	-257	448	6	258
Discounting insurance contracts	-70	0	0	0	-70	-60	0	0	0	-60
<b>Total value adjustments</b>	<b>-22</b>	<b>-346</b>	<b>428</b>	<b>0</b>	<b>47</b>	<b>1</b>	<b>-257</b>	<b>448</b>	<b>6</b>	<b>198</b>

Change in fair values based on valuation models and recognised in the income statement

Mortgage deeds	0	22	0	0	22	0	13	0	0	13
Unlisted shares	2	0	2	0	4	1	0	-15	0	-14
Investment properties	1	0	6	0	10	-2	0	-7	0	-15
Owner-occupied properties	0	0	0	0	-16	4	0	0	0	10
<b>Total change in fair values</b>	<b>3</b>	<b>22</b>	<b>8</b>	<b>0</b>	<b>20</b>	<b>3</b>	<b>13</b>	<b>-22</b>	<b>0</b>	<b>-6</b>

**Note 35 Tax on pension investment returns**

Tax on pension investment returns regarding prior years			0		0			0		0
Tax on pension investment returns regarding current year			-114		-114			-141		-141
Change in deferred tax on pension investment returns			0		0			0		0
<b>Total tax on pension investment returns</b>			<b>-114</b>		<b>-114</b>			<b>-141</b>		<b>-141</b>

**Note 36 Tax**

Estimated tax on operating profit for the year	-74	116	-50	8	0	-86	91	-11	6	0
Prior-year adjustment	0	-2	0	0	-2	0	3	0	1	4
Tax paid	0	-1	0	0	-1	0	0	0	0	0
Adjustment of deferred tax	23	109	0	6	138	7	339	-15	1	332
<b>Total tax</b>	<b>-51</b>	<b>222</b>	<b>-50</b>	<b>14</b>	<b>135</b>	<b>-79</b>	<b>433</b>	<b>-26</b>	<b>8</b>	<b>336</b>

Effective tax rate:

Current tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Prior-year adjustment of deferred tax	-7.5%	-1.7%	0.0%	-0.2%	0.2%	-1.9%	0.0%	0.0%	0.0%	0.4%
Prior-year adjustment	7.5%	1.7%	0.0%	0.4%	-0.1%	1.9%	0.2%	0.0%	0.2%	-0.1%
Tax adjustment	-0.4%	0.7%	2.6%	0.3%	0.3%	2.5%	-1.5%	-6.3%	134.8%	-1.6%
<b>Total effective tax rate</b>	<b>24.6%</b>	<b>25.7%</b>	<b>27.6%</b>	<b>25.5%</b>	<b>25.4%</b>	<b>27.5%</b>	<b>23.7%</b>	<b>18.7%</b>	<b>160.0%</b>	<b>23.7%</b>

**Note 37 Share attributable to minority interests**

<i>Share of profit/loss before tax attributable to minority interests</i>										
Alm. Brand Formue A/S		4			-3		48			40
Alm. Brand Pantebreve A/S		0			0		-120			-120
<b>Total share of profit/loss before tax attributable to minority interests</b>		<b>4</b>			<b>-3</b>		<b>-72</b>			<b>-80</b>
<i>Share of profit/loss after tax attributable to minority interests</i>										
Alm. Brand Formue A/S		4			-3		48			40
Alm. Brand Pantebreve A/S		0			0		-120			-120
<b>Total share of profit/loss after tax attributable to minority interests</b>		<b>4</b>			<b>-3</b>		<b>-72</b>			<b>-80</b>

**Note 38 Technical result, non-life insurance**

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2010 Total
Gross premiums	494	279	542	851	1,103	1,181	95	225	4,770
Gross premium income	488	277	543	852	1,092	1,168	95	247	4,762
Gross claims expenses	-391	-190	-515	-458	-881	-1,022	-56	-189	-3,702
Gross operating expenses	-88	-47	-49	-201	-200	-190	-15	-49	-839
Profit/loss from business ceded	-1	-3	-3	0	-9	-119	-1	0	-136
Investment return on insurance business	3	2	4	6	8	9	0	1	33
<b>Total technical result</b>	<b>11</b>	<b>39</b>	<b>-20</b>	<b>199</b>	<b>10</b>	<b>-154</b>	<b>23</b>	<b>10</b>	<b>118</b>
No. of claims	11,937	2,780	15,854	47,561	77,927	29,028	2,219	24,284	211,590
Frequency of claims	0.035	0.091	0.042	0.154	0.128	0.234	0.045	0.065	0.096
Average damages paid for claims incurred, DKK '000	31	91	29	11	12	36	22	9	18

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2009 Total
Gross premiums	481	304	551	858	1,070	1,156	100	230	4,750
Gross premium income	475	291	548	858	1,043	1,139	100	260	4,714
Gross claims expenses	-376	-122	-510	-408	-926	-1,003	-54	-202	-3,601
Gross operating expenses	-90	-50	-54	-213	-205	-189	-18	-53	-872
Profit/loss from business ceded	-2	-3	-2	0	-40	-98	-3	2	-146
Investment return on insurance business	5	3	6	10	12	13	1	3	53
<b>Total technical result</b>	<b>12</b>	<b>119</b>	<b>-12</b>	<b>247</b>	<b>-116</b>	<b>-138</b>	<b>26</b>	<b>10</b>	<b>148</b>
Numbers of claims	11,893	2,901	15,066	45,198	81,231	29,545	2,398	23,611	211,843
Frequency of claims	0.035	0.093	0.039	0.143	0.128	0.230	0.047	0.062	0.094
Average damages paid for claims incurred, DKK '000	27	72	32	11	12	33	15	8	17

Direct insurance is written only in Denmark

The company has changed its counting principle with respect to number of insurances/policies and has changed the allocation keys with respect to operating expenses. Comparative figures for 2009 have been adjusted accordingly.

DKKm	2010	2009
<b>Note 39 Realised result, life insurance</b>		
Technical result of life insurance activities	151	81
Transfer of investment return	55	65
Tax on pension investment return	114	141
Change in collective bonus potential	292	225
Change in bonus potential on paid-up policies	0	131
Result of portfolios without bonus entitlement	-13	24
Addition of bonus	54	57
Return equity deposit	-30	-58
Health and accident insurance deposits	-25	-7
<b>Realised result</b>	<b>598</b>	<b>659</b>

DKKm	2010	2009
<i>Return requirement for shareholders' equity</i>		
Unconditional shares:		
Actual investment return before tax on pension investment return	30	58
Result of portfolios without bonus entitlement	13	-24
Result of health and accident insurance	1	2
<b>Total unconditional shares</b>	<b>44</b>	<b>36</b>
Conditional shares:		
Risk premium of 0.5% of the average life insurance provisions	54	54
100% of expense result, net of reinsurance	15	8
25% of risk result, net of reinsurance	13	14
<b>Total conditional shares</b>	<b>82</b>	<b>76</b>
Profit/loss for the year before tax	126	112
Transferred to shadow account	57	29
<b>Profit/loss for the year before tax including health and accident insurance</b>	<b>183</b>	<b>141</b>
<b>Profit/loss for the year before tax excluding health and accident insurance</b>	<b>181</b>	<b>139</b>

#### **Note 40 Contingent liabilities, guarantees and lease agreements**

Guarantee commitments	1,888	2,386
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The group's companies have made lease and rental agreements for computer equipment and premises with total annual payments of DKK 89 million allocated over a five-year period.

The Alm. Brand Group has made forward currency contracts to hedge foreign exchange and interest rate risk.

As part of its ordinary banking operations, Alm. Brand Bank has a number of contingent liabilities, which in accordance with IFRS are not recognised in the balance sheet. Financial guarantees and loss guarantees in respect of mortgage loans were mainly provided in connection with the business partnership agreements with Totalkredit, DLR Kredit and BRF Kredit, and other contingent liabilities include guarantees provided to the Private Contingency Association and the Danish Guarantee Fund for Depositors and Investors. Alm. Brand Bank has off-balance sheet guarantee commitments in the form of finance guarantees, loss guarantees in respect of mortgage loans, etc. totalling DKK 1.3 billion.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 9 million relating to property.

Forsikringselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 2 million.

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (pensionsafviklingskasse). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Company for any and all costs the Company may incur from time to time in respect of these obligations.

In connection with Alm. Brand Bank obtaining a commitment for a government guarantee until the end of 2013 in connection with the issuance of bonds, Alm. Brand A/S has undertaken to contribute the necessary capital to Alm. Brand Bank on order that Alm. Brand Bank complies with the solvency requirements from time to time. Depending on the financial position of Alm. Brand A/S, this contribution is capped at DKK 1-2 billion (DKK 850 million of which was contributed in 2010).

Alm. Brand A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability of these companies for income years up till 2004. As from 2005, Alm. Brand A/S is only jointly and severally liable for the indirect tax liability.

Being an active financial services group, the Group is a party to a number of lawsuits. The cases are reviewed on an ongoing basis, and the necessary provisions are made. Management believes that these cases will not inflict further losses on the Group.

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 41 Collateral security</b>										
Carrying amounts of assets provided as collateral security for technical provisions										
Cash	0		209		209	0		365	0	365
Bonds	6,639		10,230		16,869	6,414		9,817	0	16,231
Equity investments and units in unit trusts	0		1,160		1,160	0		1,116	0	1,116
Shares in collective investments	0		0		0	0		0	0	0
Interest receivable	97		124		221	119		128	0	247
Properties, mortgage deeds	0		97		97	0		97	0	97
Loans guaranteed by insurance companies	0		0		0	0		0	0	0
Loans to group enterprises	0		0		0	0		0	0	0
Investments in subsidiaries	0		308		0	0		291	0	0
Other assets	0		0		0	0		0	0	0
<b>Collateral security, year-end</b>	<b>6,736</b>		<b>12,128</b>		<b>18,556</b>	<b>6,533</b>		<b>11,814</b>	<b>0</b>	<b>18,056</b>

Monetary-policy counterparties with the Danish Central Bank can obtain credit only against security through the mortgaging of approved securities.

As part of the ongoing business, in 2009 the bank provided bonds as security vis-à-vis the Danish Central Bank at a market value of DKK 739 million (2009: DKK 2,431 million).

#### Note 42 Related parties

The Alm. Brand A/S Group considers the following to be related parties:

- Alm. Brand af 1792 fmba (parent company)
- Alm. Brand Formue A/S (subsidiary, not wholly owned)
- Alm. Brand Pantebreve A/S (subsidiary, not wholly owned)
- Invest Administration A/S (associate)
- Nordic Corporate Investment A/S (associate)
- Hirlap Finans ApS (associate)
- The Management Board and Board of Directors of Alm. Brand A/S

Related parties also include related family members of the Management Board and Board of Directors as well as companies in which these persons have significant interests.

The Alm. Brand Group handles administrative tasks for Alm. Brand af 1792 fmba.

An agreement has been made on interest accruing on accounts between Alm. Brand af 1792 fmba and the Alm. Brand A/S Group. Furthermore, Alm. Brand af 1792 fmba has acquired hybrid capital issued by Alm. Brand A/S.

Alm. Brand af 1792 fmba has injected subordinated loan capital into Alm. Brand A/S.

An overview of subsidiaries and associates, etc. is provided in the corporate overview.

The Group has intra-group functions that solve joint administrative tasks for the companies of the Group, and in this connection administrative agreements are in place between the respective Group companies ensuring that the rules on intra-group transactions are observed.

Alm. Brand Bank is the Alm. Brand Group's primary banker. This involves the conclusion of a number of agreements between the bank and the group's other enterprises, and a number of transactions are regularly made between the company and the rest of the group. All agreements and transactions between the group and the bank are made on an arm's length or cost-recovery basis in accordance with applicable legislation for intra-group transactions.

In addition, the Alm. Brand Group has made an asset management agreement with Alm. Brand Bank, according to which a substantial proportion of the group's assets are under management with the bank. The consideration paid for this administrative function is fixed on an arm's length basis or, where there is no specific market, on a cost-recovery basis.

Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.

Forming part of its general investment activities, the Company's subsidiary Alm. Brand Liv og Pension has acquired a minority in Dades A/S of a market value just under DKK 198 million, corresponding to an ownership interest below 5%. The CEO of Dades A/S is deputy chairman of the Company and a member of the board of directors of Alm. Brand Liv og Pension. The investment is comprised by section 78 of the Danish Financial Business Act and has been approved and is monitored by the board of directors of Alm. Brand Liv og Pension.

In addition, the Company has entered into a general management agreement with Datea A/S, a company wholly owned by Dades A/S, in which Boris Nørgaard Kjeldsen is chairman of the board of directors. In accordance with the agreement, Datea A/S manages properties owned by the Company's subsidiaries, including administration, accounting and reporting, rentals, supervision and technical assistance. The annual fee paid to the company is in the region of DKK 2 million. Management believes that the overall administration agreement was made on an arm's length basis.

Reference is made to the note concerning acquisition costs and administrative expenses, which sets out further details on remuneration paid to the group's Board of Directors, Management Board and other senior executives.

In addition to the remuneration paid to members of the Board of Directors, Management Board, etc. in the financial year, the following transactions took place between the Alm. Brand Group and the related parties:

DKKm	2010			
	Alm. Brand af 1792 fmba	Alm. Brand subsidiaries (not wholly owned)	Management Board and Board of Directors of A/S	Companies controlled by members of the Board of Directors
Sale of services	358	708	3	0
Purchase of services	718	1,661	1	0
Interest and fee income	0	94	0	0
Interest and fee expenses	38	0	1	1
Receivables	0	487	9	20
Debt	261	10	29	1
Collateral	0	0	1	5
Interest rates			2,55-7,5%	3,3-4,05%
	<b>2009</b>			
Sale of services	1,080	2,171	2	0
Purchase of services	845	2,684	0	0
Interest and fee income	0	106	1	0
Interest and fee expenses	6	0	1	0
Receivables	0	1,839	17	7
Debt	149	7	34	0
Collateral	0	0	6	3
Interest rates			1,7-7,75%	3,25-4,93%

Other than the above, no material intra-group transactions have taken place.

The purchase and sale of services comprising insurance services and delivery of banking products in the form of loans, guarantees, credit facilities and the purchase/sale of bonds, mortgage deeds, etc. are effected on the Group's usual arm's length terms. However, employee-elected board members are offered usual employee terms. Debt comprises deposits in Alm. Brand Bank, pension funds in Alm. Brand Bank and Alm. Brand Liv og Pension, etc. No losses have been charged to and no impairment writedowns have been made on any balances owing to or by related parties.

DKKm	Fair value	Amorti- sed cost	Total	Fair value	Amorti- sed cost	Total
<b>Note 43 Classification of financial instruments</b>						
<i>Financial assets</i>						
Government bonds	4,575	0	4,575	4,752	0	4,752
Mortgage bonds	22,118	0	22,118	19,905	0	19,905
Other fixed-rate instruments	402	0	402	660	0	660
Other floating-rate instruments	231	0	231	301	0	301
Listed shares	1,360	0	1,360	1,155	0	1,155
Unlisted shares	449	0	449	475	0	475
Other investment assets	157	0	157	89	0	89
Receivables from policyholders	0	143	143	0	168	168
Receivables from insurance brokers	0	21	21	0	14	14
Receivables from insurance companies	0	9	9	0	0	0
Other receivables	0	111	111	0	66	66
Positive market value of derivative financial instruments	458	0	458	537	0	537
Other assets	0	166	166	0	66	66
Pensionskassen under Alm. Brand A/S	0	8	8	0	9	9
Assets temporarily acquired	0	513	513	0	86	86
Interest receivable	448	0	448	565	0	565
Prepayments	0	52	52	0	54	54
Balances due from credit institutions and central banks	0	1,537	1,537	0	1,331	1,331
Cash in hand and demand deposits	0	379	379	0	49	49
Loans and advances	2,190	10,295	12,485	2,262	12,561	14,823
<b>Financial assets, year-end</b>	<b>32,388</b>	<b>13,234</b>	<b>45,622</b>	<b>30,701</b>	<b>14,404</b>	<b>45,105</b>

DKKm	2010			2009		
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
<i>Financial liabilities</i>						
Subordinated debt	0	1,828	1,828	0	1,834	1,834
Issued bonds	0	6,032	6,032	0	26	26
Payables to policyholders	0	47	47	0	21	21
Payables related to direct insurance	0	7	7	0	6	6
Payables related to reinsurance	0	5	5	0	8	8
Payables to subsidiaries	0	0	0	0	303	303
Negative market value of derivative financial instruments	439	0	439	558	0	558
Other payables	100	695	795	203	587	790
Deferred income	0	4	4	0	4	4
Deposits	0	8,602	8,602	0	10,874	10,874
Payables to credit institutions and central banks	0	6,588	6,588	0	11,313	11,313
<b>Financial liabilities, year-end</b>	<b>539</b>	<b>23,808</b>	<b>24,347</b>	<b>761</b>	<b>24,976</b>	<b>25,737</b>

DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
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**Fair value measurement of financial instruments****Quoted prices***Financial assets*

Loans and advances	0	0	0	0	0	0	0	0	0	0
Bonds	8,224	9,021	8,860	2	26,107	6,907	8,744	8,540	2	24,193
Shares	0	461	596	0	1,057	0	313	578	0	891
Other assets	0	0	99	0	99	0	0	81	0	81
<b>Total financial assets</b>	<b>8,224</b>	<b>9,482</b>	<b>9,555</b>	<b>2</b>	<b>27,263</b>	<b>6,907</b>	<b>9,057</b>	<b>9,199</b>	<b>2</b>	<b>25,165</b>

*Financial liabilities*

Other payables	0	0	0	0	0	0	0	0	0	0
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Observable data***Financial assets*

Loans and advances	0	0	0	0	0	0	0	0	0	0
Bonds	15	0	1,025	0	1,040	14	0	989	0	1,003
Shares	0	0	0	0	0	0	0	4	0	4
Other assets	169	621	143	0	933	142	831	137	0	1,110
<b>Total financial assets</b>	<b>184</b>	<b>621</b>	<b>1,168</b>	<b>0</b>	<b>1,973</b>	<b>156</b>	<b>831</b>	<b>1,130</b>	<b>0</b>	<b>2,117</b>

*Financial liabilities*

Other payables	0	539	0	0	539	0	761	0	0	761
<b>Total financial liabilities</b>	<b>0</b>	<b>539</b>	<b>0</b>	<b>0</b>	<b>539</b>	<b>0</b>	<b>761</b>	<b>0</b>	<b>0</b>	<b>761</b>

**Non-observable data***Financial assets*

Loans and advances	0	2,190	0	0	2,190	0	2,262	0	0	2,262
Bonds	49	0	131	0	180	297	0	125	0	422
Shares	23	194	534	1	752	22	211	501	1	735
Other assets	0	0	30	0	30	0	0	0	0	0
<b>Total financial assets</b>	<b>72</b>	<b>2,384</b>	<b>695</b>	<b>1</b>	<b>3,152</b>	<b>319</b>	<b>2,473</b>	<b>626</b>	<b>1</b>	<b>3,419</b>

*Financial liabilities*

Other payables	0	0	0	0	0	0	0	0	0	0
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Loans, advances and other receivables at fair value comprises mortgage deeds measured at fair value using a valuation model. Bonds at fair value comprises corporate bonds valued at quoted prices or based on observable data. Shares, etc. comprises listed shares valued at quoted prices and unlisted shares for which the input is not based on directly observable market data. Other assets comprises interest receivable and positive values of derivative financial instruments valued based on observable data. Other liabilities comprises interest payable and negative values of derivative financial instruments valued based on observable data.

DKKm	2010			2009		
	Assets and debt			Assets and debt		
	Fair value	at amortised cost	Total	Fair value	at amortised cost	Total
<b>Note 44 Return on financial instruments</b>						
Interest income, etc.	897	802	1,699	1,243	752	1,995
Fee income, etc.	107	16	123	87	13	100
Other income	3	22	25	9	10	19
Total income	1,007	840	1,847	1,339	775	2,114
Interest expenses	-159	-421	-580	-160	-643	-803
Value adjustments	52	-5	47	194	4	198
Profit/loss before tax	900	414	1,314	1,373	136	1,509

DKKm	2010		2009	
	Fair value	Recognised amount	Fair value	Recognised amount
<b>Note 45 Fair value of financial instruments</b>				
<i>Financial assets at fair value through profit or loss</i>				
Government bonds	4,575	4,575	4,752	4,752
Mortgage bonds	22,118	22,118	19,905	19,905
Other fixed-rate instruments	402	402	660	660
Other floating-rate instruments	231	231	301	301
Listed shares	1,360	1,360	1,155	1,155
Unlisted shares	449	449	475	475
Other investment assets	157	157	89	89
Receivables from policyholders	143	143	168	168
Receivables from insurance brokers	21	21	14	14
Receivables from insurance companies	9	9	0	0
Other receivables	111	111	66	66
Positive market value of derivative financial instruments	458	458	537	537
Other assets	166	166	66	66
Pensionskassen under Alm. Brand A/S	8	8	9	9
Assets temporarily acquired	513	513	86	86
Interest receivable	448	448	565	565
Prepayments	52	52	54	54
Balances due from credit institutions and central banks	1,537	1,537	1,331	1,331
Cash in hand and demand deposits	379	379	49	49
Loans and advances	12,510	12,485	14,922	14,823
Fair value of financial instruments, year-end	45,647	45,622	45,204	45,105

DKKm	2010		2009	
	Fair value	Recognised amount	Fair value	Recognised amount
<i>Financial liabilities at fair value through profit or loss</i>				
Subordinated debt	1,828	1,828	1,834	1,834
Issued bonds	6,032	6,032	26	26
Reinsurance deposits	0	0	0	0
Payables to policyholders	47	47	21	21
Payables related to direct insurance	7	7	6	6
Payables related to reinsurance	5	5	8	8
Payables to subsidiaries	0	0	303	303
Negative market value of derivative financial instruments	439	439	558	558
Other payables	795	795	790	790
Deferred income	4	4	4	4
Deposits	8,652	8,602	10,907	10,874
Payables to credit institutions and central banks	11,313	6,588	11,313	11,313
Financial liabilities at fair value through profit or loss, year-end	29,122	24,347	25,770	25,737

Cash in hand and balances at call with central banks are relatively short term, and recognised amounts at amortised cost are assumed to equal fair values.

Balances with credit institutions are recognised at amortised cost. The difference between the recognised value and fair value is assumed to be the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the balances were established.

Loans, advances and receivables at fair value, bonds at fair value, shares etc. and derivatives are measured at fair value in the financial statements so that recognised values equal fair values.

The difference between the fair value and the recognised value of Loans, advances and receivables at amortised cost is assumed to equal the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the loans were established. Changes in the credit quality are not taken into account as these are assumed to be included in impairment on loans for recognised values as well as fair values.

The fair value of deposits and other payables is assumed to equal the interest rate level-dependent value adjustment calculated by comparing current market rates with the market rates prevailing when the deposits were established.

Issued bonds and subordinated debt are measured at amortised cost. The difference between this and fair value is assumed to be the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the issues were made. Changes in fair values due to changes in the bank's own credit rating are not taken into account.

Fair value adjustments of financial assets and liabilities represent a total unrecognised unrealised gain of DKK 24.0 million at the end of 2010, against a gain of DKK 65.2 million at the end of 2009.

In the accounting policies, the calculation of fair values is described further for items recognised at fair value.

DKK m	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 46 Financial instruments by term to maturity</b>										
<i>Bonds</i>										
Expiry within 1 year	582	2,019	331	0	2,932	944	6,115	535	0	7,594
Expiry between 1 year and 5 years	4,311	1,866	2,334	0	8,511	2,667	754	1,242	2	4,665
Expiry after more than 5 years	3,395	5,136	7,350	0	15,881	3,607	1,875	7,877	0	13,359
<b>Bonds, year-end</b>	<b>8,288</b>	<b>9,021</b>	<b>10,015</b>	<b>0</b>	<b>27,324</b>	<b>7,218</b>	<b>8,744</b>	<b>9,654</b>	<b>2</b>	<b>25,618</b>
<i>Cash in hand and balances at call</i>										
Expiry within 1 year	17	16	54	371	379	264	34	160	9	49
Expiry between 1 year and 5 years	0	0	0	0	0	0	0	0	0	0
Expiry after more than 5 years	0	0	0	0	0	0	0	0	0	0
<b>Cash in hand and balances at call, year-end</b>	<b>17</b>	<b>16</b>	<b>54</b>	<b>371</b>	<b>379</b>	<b>264</b>	<b>34</b>	<b>160</b>	<b>9</b>	<b>49</b>
<i>Loans, advances and receivables</i>										
Expiry within 1 year	135	7,259	53	50	7,497	641	7,855	26	0	8,522
Expiry between 1 year and 5 years	0	1,477	0	0	1,477	0	2,119	0	0	2,119
Expiry after more than 5 years	0	5,221	0	0	5,221	0	5,695	0	0	5,695
<b>Loans, advances and receivables, year-end</b>	<b>135</b>	<b>13,957</b>	<b>53</b>	<b>50</b>	<b>14,195</b>	<b>641</b>	<b>15,669</b>	<b>26</b>	<b>0</b>	<b>16,336</b>
<i>Deposits and payables to credit institutions and central banks</i>										
Expiry within 1 year	83	10,603	22	0	10,725	23	16,348	19	0	16,190
Expiry between 1 year and 5 years	0	3,911	0	0	3,898	0	5,413	0	0	5,391
Expiry after more than 5 years	0	626	0	0	626	0	641	0	0	641
<b>Deposits and payables to credit institutions and central banks, year-end</b>	<b>83</b>	<b>15,140</b>	<b>22</b>	<b>0</b>	<b>15,249</b>	<b>23</b>	<b>22,402</b>	<b>19</b>	<b>0</b>	<b>22,222</b>
<i>Issued bonds</i>										
Expiry between 1 year and 5 years		6,000		32	6,032		0		26	26
<b>Issued bonds, year-end</b>		<b>6,000</b>		<b>32</b>	<b>6,032</b>		<b>0</b>		<b>26</b>	<b>26</b>

The actual expiry dates may deviate from the contractual expiry dates as the issuers of the specific instruments may be entitled to repurchase the instrument before it expires. See note 14, which includes the expected cash flow for the group's claims and life insurance provisions.

DKKm	2010					2009				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<b>Note 47 Credit risk</b>										
<i>Credit risk by type of financial asset</i>										
Government bonds	684	1	3,890	0	4,575	1,362	2	3,388	0	4,752
Mortgage bonds	7,391	8,997	5,730	0	22,118	5,595	8,674	5,636	0	19,905
Other fixed-rate instruments	115	23	264	0	402	167	68	425	0	660
Other floating-rate instruments	98	0	131	2	231	94	0	205	2	301
Other investment assets	20	0	137	0	157	8	0	81	0	89
Reinsurance deposits	163	0	27	0	190	103	0	31	0	134
Receivables from policyholders	114	0	29	0	143	142	0	26	0	168
Receivables from insurance brokers	21	0	0	0	21	14	0	0	0	14
Receivables from insurance companies	0	0	9	0	9	0	0	0	0	0
Other receivables	73	0	28	38	111	37	0	26	31	66
Positive market value of derivative financial instruments	0	458	0	0	458	0	537	0	0	537
Other assets	15	108	43	0	166	0	66	0	0	66
Interest receivable	149	163	136	0	448	134	294	137	0	565
Balances due from credit institutions and central banks	0	1,472	15	50	1,537	485	846	0	0	1,331
Cash in hand and demand deposits	17	16	54	371	379	264	34	160	9	49
Loans and advances	0	12,485	0	0	12,485	0	14,823	0	0	14,823
Maximum credit risk	8,860	23,723	10,493	461	43,430	8,405	25,344	10,115	42	43,460

The group's exposure to credit risk primarily involves financial receivables such as mortgage deeds and other loans and advances as well as credit risk on the portfolio of credit bonds. The portfolio of credit bonds in the life insurance company forms part of customer investment assets. The entire portfolio of credit bonds is Investment Grade-rated (BBB rating and higher). Overdue receivables in the non-life company are written off after nine months.

Total receivables written down in connection with insurance operations:

Impairment beginning of year	48				48	38				38
Impairment during the year and reversal of impairment	10				10	10				10
Impairment, year-end	58	0	0	0	58	48	0	0	0	48

#### Loans and guarantees distributed by sector and industry

Public authorities		0.0%			0.0%		0.0%			0.0%
Business sectors:										
Agriculture, hunting, forestry and fishery		9.3%			9.3%		7.8%			7.8%
Manufacturing and raw materials extraction		0.2%			0.2%		0.3%			0.3%
Energy supplies		0.0%			0.0%		0.0%			0.0%
Construction		0.7%			0.7%		1.0%			1.0%
Trade		0.6%			0.6%		1.4%			1.4%
Transport, restaurant and hotel industry		0.2%			0.2%		0.2%			0.2%
Information and communications		0.0%			0.0%		0.0%			0.0%
Credit and financing and insurance		18.2%			18.2%		24.5%			24.5%
Property administration and trading, business services		20.7%			20.7%		20.0%			20.0%
Other business		4.3%			4.3%		1.5%			1.5%
Business total		54.2%			54.2%		56.7%			56.7%
Private customers		45.8%			45.8%		43.3%			43.3%
Total		100.0%			100.0%		100.0%			100.0%

#### Impairment

<i>Individual assessment</i>										
Impairment beginning of year		1,789			1,789		416			416
Impairment during the year		661			661		1,408			1,408
Reversal of impairment		-146			-146		-20			-20
Loss (written off)		-1,000			-1,000		-15			-15
Impairment individual assessment, year-end		1,304			1,304		1,789			1,789

<i>Group assessment</i>										
Impairment beginning of year		72			72		34			34
Impairment during the year		53			53		50			50
Reversal of impairment		-34			-34		-12			-12
Impairment group assessment, year-end		91			91		72			72

Total impairment		1,395			1,395		1,861			1,861
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Value of security for loans found to be impaired based on individual assessments		21			21		20			20
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The carrying amount of loans and advances which would have been overdue or impaired if the loan had not been renegotiated.		0			0		0			0
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	2010					2009				
<b>DKK M</b>	<b>Non-life</b>	<b>Banking</b>	<b>Life</b>	<b>Other</b>	<b>Total</b>	<b>Non-life</b>	<b>Banking</b>	<b>Life</b>	<b>Other</b>	<b>Total</b>
<b>Reasons for individual impairment writedowns</b>										
<i>Loans, advances and other receivables before impairment</i>										
Estate administration		199			199		870			870
Debt collection		79			79		115			115
<b>Uncollectible claims</b>		<b>3,178</b>			<b>3,178</b>		<b>2,674</b>			<b>2,674</b>
<b>Total</b>		<b>3,456</b>			<b>3,456</b>		<b>3,659</b>			<b>3,659</b>
<i>Impairment, etc.</i>										
Estate administration		122			122		547			547
Debt collection		49			49		58			58
<b>Uncollectible claims</b>		<b>1,133</b>			<b>1,133</b>		<b>1,184</b>			<b>1,184</b>
<b>Total</b>		<b>1,304</b>			<b>1,304</b>		<b>1,789</b>			<b>1,789</b>
<b>Loans, advances and other receivables after impairment</b>		<b>2,152</b>			<b>2,152</b>		<b>1,870</b>			<b>1,870</b>
Value of security for loans which in an individual assessment have been found to be impaired		1,805			1,805		1,714			1,714
<b>Description of security</b>										
<i>Value of security</i>										
Real property, private		52			52		147			147
Real property, commercial		721			721		238			238
Cash, deposits and highly marketable securities		1,021			1,021		1,198			1,198
Cars		11			11		40			40
<b>Other security</b>		<b>0</b>			<b>0</b>		<b>91</b>			<b>91</b>
<b>Value of security, year-end</b>		<b>1,805</b>			<b>1,805</b>		<b>1,714</b>			<b>1,714</b>
Collateral security is valued on the following basis:										
Private residential property; 80-95%, depending on type, location, state of repair and transferability.										
Commercial property; 60-85%, depending on use, location, state of repair, business, income basis and assessed transferability.										
Cash and marketable securities; 80-95% of official market price when available and, if not, of assessed market price.										
Personal property, cars; 65-85% depending on type, model and age.										
Personal property, other collateral; based on individual assessments.										
<b>Realised security, including conditions</b>										
<i>Value of realised security</i>										
Real property, private		64			64		46			46
Real property, commercial		467			467		329			329
Current-asset investments		489			489		33			33
Cars		48			48		62			62
<b>Total value of realised security</b>		<b>1,068</b>			<b>1,068</b>		<b>470</b>			<b>470</b>
Forced realisation of collateral becomes necessary if the bank cannot induce the creditor or the provider of collateral security to enter into a voluntary agreement on realisation. The bank always seeks to maximise the value of collateral by way of forced realisation. Before forced realisation of collateral is initiated, the debtor and/or the provider of collateral will receive typically eight days' notice, however, shorter notice may be given in case of an obvious risk of imminent impairment of the value of the collateral. Particularly in case of loans and credits secured against security-based investments, the company establishes so-called stop-loss clauses allowing the bank to initiate forced realisation immediately, unless additional collateral is provided. Typically, such clauses will enter into force if the value of the collateral drops to a certain level of the loan, typically 105-110%.										
<b>Loans, advances and other receivables, etc. in arrears</b>										
<i>How much in arrears</i>										
Up to three months		28			28		18			18
Three to six months		8			8		14			14
Six to twelve months		3			3		9			9
More than twelve months		8			8		44			44
<b>Arrears year-end</b>		<b>47</b>			<b>47</b>		<b>85</b>			<b>85</b>
Value of collateral security for loans in arrears		1,004			1,004		3,266			3,266
<b>Description of security</b>										
<i>Value of security</i>										
Real property, private		421			421		691			691
Real property, commercial		554			554		784			784
Cash and marketable securities		11			11		956			956
Cars		18			18		774			774
<b>Other security</b>		<b>0</b>			<b>0</b>		<b>61</b>			<b>61</b>
<b>Value of security, year-end</b>		<b>1,004</b>			<b>1,004</b>		<b>3,266</b>			<b>3,266</b>

DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Total value of security at the balance sheet date		7,916			7,916		9,316			9,316
<b>Description of security</b>										
<i>Value of security</i>										
Real property, private		2,986			2,986		3,090			3,090
Real property, commercial		2,539			2,539		2,524			2,524
Cash and marketable securities		1,645			1,645		2,461			2,461
Cars		549			549		983			983
Other security		197			197		258			258
Value of security, year-end		7,916			7,916		9,316			9,316

#### Credit quality

The bank uses rating models on its retail customers and on small and medium-sized businesses. The rating models use a scale of 0-7, and each individual rating segment has a PD range (Probability of Default) for each scale step. The credit quality declined between 2009 and 2010.

#### Note 48 Hedge accounting

As part of the risk management efforts, the fair value of certain financial assets and liabilities is hedged through the use of derivative financial instruments.

##### *Nature of the hedged item*

<i>Fixed-rate loans in DKK</i>										
At amortised cost		265			265		646			646
At adjusted amortised cost (carrying amount)		269			269		653			653
<i>Payables to credit institutions denominated in EUR</i>										
At amortised cost		3,764			3,764		4,342			4,342
At adjusted amortised cost (carrying amount)		3,766			3,766		4,342			4,342
<i>Hybrid Tier 1 capital in DKK</i>										
At amortised cost		0			0		175			175
At adjusted amortised cost (carrying amount)		0			0		182			182

##### *Nature of hedging instruments*

<i>For fixed-rate loans in DKK</i>										
<i>Interest rate swaps in DKK</i>										
Fair value		-4			-4		-8			-8
Synthetic principal		265			265		645			645
<i>For payables to credit institutions denominated in EUR</i>										
<i>Currency swaps i DKK/EUR</i>										
Fair value		1			1		0			0
Synthetic principal		3,764			3,764		4,342			4,342
<i>For hybrid Tier 1 capital in DKK</i>										
<i>Interest rate swaps in DKK</i>										
Fair value		0			0		7			7
Synthetic principal		0			0		175			175

##### *Recognised through profit and loss*

Value adjustment of hedged assets and liabilities		-5			-5		4			4
Value adjustment of hedging instruments		5			5		-4			-4

Fair value hedging has been highly effective throughout the year and throughout the term. "Highly effective" means that the value adjustments of the hedging instruments correspond to the value adjustments of the hedged items within a range of 80-125%.





**NOTE 51 Accounting policies****GENERAL**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU. The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the executive order on financial reports presented by insurance companies and lateral pension funds. In addition, the financial statements have been presented in accordance with additional Danish disclosure requirements for listed financial enterprises.

Additional Danish disclosure requirements for annual financial statements are for the group set out in the Danish Statutory Order on Adoption of IFRS for financial enterprises issued pursuant to the Danish Financial Business Act and by NASDAQ OMX Copenhagen A/S. For the parent company, the disclosure requirements are defined in the Danish Financial Business Act and by NASDAQ OMX Copenhagen A/S.

The annual financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the group's activities and the functional currency of the parent company.

The accounting policies applied in the consolidated financial statements are described in the following. The accounting policies of the parent company are described in connection with the parent company's financial statements.

**IMPLEMENTATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

The Annual Report 2010 is presented in accordance with the new and amended standards (IFRS/IAS) and interpretations (IFRIC) which apply for financial years starting on or after 1 January 2010. The implementation of the other new and amended standards and interpretations in the annual financial statements for 2010 did not result in any changes to the accounting policies.

As a result of the agreement on financial stability signed in October 2008, the Danish Financial Supervisory Authority effected a temporary adjustment of the method for determining the yield curve. The new method to some extent makes allowance for developments in the spread between mortgage bonds and government bonds. Pursuant to the Executive Order of 15 January 2011 on Financial Reports of Insurance Companies and Lateral Pension Funds, the changed yield curve applies until 31 December 2012. As a result, the group has implemented the amendment of section 95a, implying that the group does not provide disclosure of the effect on profit and equity of the changed yield curve.

**STANDARDS AND INTERPRETATIONS NOT YET IN FORCE**

At the date of publication of these annual financial statements, the following new or amended standards and interpretations have not yet entered into force, and are therefore not included in these annual financial statements:

- IAS 32, Financial Instruments: Presentation (Classification of Rights Issue) (October 2009). The amendment clarifies the accounting treatment of subscription rights, options or warrants denominated in a currency other than the functional currency of the issuer.
- IFRS 7, Financial instruments: Disclosures (Enhancing disclosures about transfers of financial assets) (October 2010). The amendment enhances the disclosure requirements in IFRS 7 with respect to transactions involving transfer of financial assets where the transferor maintains "continuing involvement" in the asset. The amendment comes into force for financial years starting on or after 1 July 2011. The amendments have not yet been adopted for use in the EU.
- IFRS 9, Financial instruments: Classification and Measurement (Financial Assets) (November 2009). IFRS 9 sets out the accounting treatment of financial assets in relation to classification and measurement. Pursuant to IFRS 9, the "held-to-maturity" and "available-for-sale" categories are eliminated. A new optional category is defined for equity instruments which are not held for trading and which on initial recognition are classified as "at fair value through other comprehensive income". In future, financial assets will thus be classified either as "measured at amortised cost" or "measured at fair value through profit or loss" or – in case of qualifying equity instruments – as "measured at fair value through other comprehensive income". The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.
- IFRS 9, Financial instruments: Classification and Measurement (Financial Liabilities) (October 2010). The amendment to IFRS 9 adds provisions on the classification and measurement of financial liabilities. The majority of the provisions of IAS 39 on recognition and measurement of financial liabilities are unchanged in IFRS 9. However, IFRS does introduce the following changes:

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## NOTE 51 Accounting policies - continued

- The exemption in IAS 39 providing that derivative financial instruments related to unquoted assets may in some cases be measured at cost is eliminated. Under IFRS 9, all derivative financial instruments are measured at fair value.
- Under IFRS 9, when a company elects to measure financial liabilities at fair value (fair value option) the portion of the fair value adjustment for the period attributable to changes in the company's own credit rating should be presented in other comprehensive income.

The derecognition provisions of IAS 39 are unchanged in IFRS 9. The standard is effective for financial years beginning on or after 1 January 2013. The standard has not yet been adopted for use in the EU.

At the date of publication of these annual financial statements, there are a number of additional new or amended standards and interpretations which have not yet entered into force and which are therefore not included in these annual financial statements. Management believes that these new and amended standards and interpretations will not have any material impact on the annual financial statements for the coming financial years.

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company and subsidiaries in which the parent company holds the majority of the voting rights or otherwise holds a controlling interest. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

The consolidated financial statements have been prepared by consolidating items of a uniform nature in the income statements and balance sheets of each company. Intercompany income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

The financial statements of subsidiary undertakings that present annual reports under other jurisdictions have been restated to the accounting policies applied by the group.

In the preparation of the consolidated financial statements, accounting items of subsidiaries are fully recognised, regardless of the percentage of ownership. The proportionate

shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as separate items in the income statement and the balance sheet.

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

### Acquisitions

Subsidiary undertakings newly acquired or disposed of are recognised in the consolidated financial statements from the date of acquisition and until the date of disposal respectively. Comparatives are not adjusted.

Acquisitions are accounted for using the purchase method, according to which the acquired enterprise's identifiable assets, liabilities and contingent liabilities are recognised in the balance sheet at fair value at the time of acquisition.

Where the cost exceeds the fair value of the acquired net assets, the excess amount is capitalised as goodwill under intangible assets. Goodwill is tested for impairment annually.

If the measurement of acquired identifiable assets, liabilities or contingent liabilities is subject to uncertainty at the time of acquisition, initial recognition will be made on the basis of a preliminary calculation of fair values. If it later turns out that the identifiable assets, liabilities or contingent liabilities had another fair value at the time of acquisition than that originally assumed, goodwill will be adjusted until 12 months after the acquisition. The effect of the adjustment will be recognised in the opening shareholders' equity, and comparative figures will be restated accordingly.

### INTRA-GROUP TRANSACTIONS

Intra-group services are settled on market terms or on a cost recovery basis. Intra-group accounts carry interest on market terms. Intra-group transactions in securities and other assets are settled at market prices.

### FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are recognised at the rate of exchange published by Danmarks Nationalbank at the balance sheet date. Income and expenses denominated in foreign currency are recognised at the rates of exchange ruling at the transaction date. Exchange gains and losses are recognised in the income statement.

**NOTE 51 Accounting policies - continued**

On consolidation, the income statements of foreign subsidiaries are translated at average exchange rates for each month and balance sheet items are translated at the exchange rates prevailing at the balance sheet date.

Exchange differences arising on the translation of the equity of foreign subsidiaries at the beginning of the year using the exchange rates ruling on the balance sheet date are recognised in shareholders' equity. Differences arising on the translation of the income statements of foreign subsidiaries at average exchange rates and balance sheet items at the rates ruling on the balance sheet date are also taken directly to shareholders' equity.

**GENERAL RECOGNITION AND MEASUREMENT POLICIES**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the group and the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to the financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described in the accounting policies.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report and which confirm or invalidate conditions existing at the balance sheet date.

In connection with the acquisition or sale of financial assets and liabilities, the settlement date is used as the recognition date. Changes to the value of the asset acquired or sold during the period from the transaction date to the settlement date are recognised as a financial asset or a financial liability. If the acquired item is measured at cost or amortised cost after initial recognition, any value changes during the period from the transaction date to the settlement date are not recognised.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the term to maturity.

**ACCOUNTING ESTIMATES**

The items most materially affected by accounting estimates are insurance obligations, loans and advances and receivables.

As for the fair value of unlisted financial instruments, significant estimates have been applied in measuring the fair value. In addition, the banking group is subject to risks and uncertainties that may cause actual results to deviate from the estimates.

In respect of impairment of loans, advances and other receivables, significant estimates have been applied in quantifying the risk that not all future payments may be received. If it can be determined that not all future payments will be received, the determination of the amount of the expected payments, including realisable values of any collateral and expected dividend payments from estates, also involves significant estimates.

**BALANCE SHEET****Intangible assets***Goodwill*

On initial recognition, goodwill is recognised at fair value, determined as the difference between acquisition cost and fair value of the acquired net assets. An impairment test is conducted annually, and any impairment losses are recognised in the income statement.

*Software*

Software is measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Software is amortised on a straight-line basis over an expected useful life not exceeding five years.

In determining cost, all costs directly attributable to the development of the software and that will probably generate economic benefits for the group are recognised. All other costs are expensed as incurred. Amortisation and impairment are recognised as administrative expenses.

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## NOTE 51 Accounting policies - continued

### Land and buildings

Land and buildings owned by the group are classified as either investment properties or owner-occupied properties. Owner-occupied properties comprise properties which Alm. Brand generally uses for administrative purposes. Other properties are classified as investment properties.

The group has not used external valuers to determine the fair values of the properties. The fair value of land and buildings is assessed in-house on an annual basis.

#### *Investment properties*

Investment properties are measured at a fair value calculated in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The fair value is calculated on the basis of the yield method, which involves a valuation of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Adjustments of the value of investment properties are recognised in the income statement in the financial year when the change occurred.

#### *Owner-occupied properties*

Owner-occupied properties are measured at a revalued amount corresponding to the fair value at the revaluation date less accumulated depreciation and value adjustments. The fair value is calculated on the basis of the Danish Financial Supervisory Authority's guidelines on the yield method, which involves the measurement of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful lives of the properties, which are estimated to be 60 years. Depreciation is calculated with due consideration to the expected residual value and is recognised in the income statement under administrative expenses.

Revaluations with the addition or deduction of the tax effect, including properties classified as owner-occupied properties, are made in shareholders' equity as revaluation reserves. If a revaluation can no longer be maintained, it is reversed. Writedowns that do not offset previous revaluations are made in the income statement.

The part of the revaluations that can be attributed to insurance contracts with bonus entitlement is subsequently transferred to collective bonus potential in accordance with the contribution rules filed.

#### *The yield method*

The operating budget recognises rental income from full letting, as any rent for vacant premises or other lack of rental income is offset against the estimated value. Accordingly, the operating budget recognises normal maintenance of the property. Any major anticipated renovation work, restoration work or repair is offset against the estimated value.

The rate of return is determined based on current market conditions for the type of property taking into account the state of repair, location, use, leases etc.

### Investments in associates

Investments in associates are recognised and measured in the consolidated financial statements according to the equity method, which means that the investments are measured at the parent company's proportionate share of the company's net asset value at the balance sheet date, calculated according to the group's accounting policies.

### Reinsurers' share from insurance contracts

The reinsurers' share of the technical provisions is calculated as the amounts expected to be received from reinsurance companies under the applicable reinsurance contracts.

The group regularly assesses its reinsurance assets for impairment. If there is a clear indication of impairment, the carrying amount of the asset is written down.

### Operating equipment

Operating equipment is measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets taking into account the expected residual value. The expected useful lives are assessed to be:

• Cars	5 years
• Furniture and equipment	3-5 years
• Computers	3-5 years

Cost comprises acquisition cost and directly attributable costs.

**NOTE 51 Accounting policies - continued**

Leasehold improvements are capitalised and amortised over their estimated useful lives, up to five years, taking into account the expected residual value.

**Investment assets**

Investment assets comprise financial assets measured at fair value. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

The measurement of financial instruments depends on whether the instruments are part of the group's trading portfolio. Generally, the group's financial instruments form part of the trading portfolio, not including unlisted shares and part of the portfolio of mortgage deeds.

Financial instruments included in the trading portfolio are measured at fair value, and value adjustments are taken to the income statement. For financial instruments not included in the trading portfolio it is assessed whether the fair value can be determined reliably.

For the majority of the unlisted shares and the portfolio of mortgage deeds, it is assessed that the fair values can be measured sufficiently reliably using recognised valuation methods. These assets are on this basis measured at fair value and value adjustments are taken to the income statement. The unlisted shares for which it is assessed that the fair value cannot be determined sufficiently reliably are measured at cost less any impairment.

The measurement of financial instruments at fair value is consistent with the group's internal risk management, which is based on market exposure of assets and liabilities subject to risk.

Financial assets are recognised or derecognised at the settlement date.

Listed financial assets are measured at fair value based on the closing price at the balance sheet date, or, in the absence of a closing price, another public price deemed to be most similar thereto.

Unlisted financial assets are measured at fair value using recognised valuation methods. For unlisted assets that are managed by external fund managers, these calculate an estimated market value based on the estimated present value of expected future cash flows.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through income are included in the income statement in the period in which they arise.

Securities sold under agreements to repurchase at a later date (repo transactions) remain in the balance sheet. Amounts received are included as amounts owed to the purchaser and are subject to interest at the agreed rate.

The securities are measured as if they were still included in the balance sheet, and market value adjustments and interest etc. are recognised in the income statement. Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

**Derivative financial instruments**

As part of the risk management efforts, the fair value of certain fixed rate assets and liabilities is hedged through the use of derivatives. Derivatives are measured at cost on initial recognition. Subsequently, derivatives are measured at fair value at the balance sheet date.

Changes in the fair value of derivatives designated as and qualifying for recognition as fair value hedges of a recognised asset or a liability are recognised in the income statement together with changes in the fair value of the hedged asset or hedged liability that can be attributed to the hedged risk.

Changes in the fair value of derivatives designated as and qualifying for recognition as effective hedges of future cash flows are recognised directly in equity. When the hedged cash flows are realised, cumulative changes are recognised as part of the cost of the transactions in question.

For derivatives that do not qualify for hedge accounting, changes in fair value are recognised as financial items in the income statement as they occur.

**Loans, advances and receivables**

Loans, advances and receivables for which the price is fixed in active markets are measured at fair value. The loans, advances and other receivables involved must be measured at fair value on initial and subsequent recognition. The fair value is calculated using a valuation technique which is in accordance with generally recognised methods of pricing financial instruments.

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## NOTE 51 Accounting policies - continued

Other loans and advances and other receivables are measured at amortised cost. On initial recognition, the portfolio is measured at fair value plus transaction costs less fees and commissions received that are directly related to the acquisition or issue of the financial instrument. On subsequent recognition, such loans, advances and other receivables will be adjusted to amortised cost on a current basis.

An ongoing evaluation takes place to detect any objective indication of impairment of the company's loans, advances and other receivables determined at amortised cost. If there is any objective indication of impairment, the need to write down the loan, advance or receivable is assessed. Any impairment losses are calculated based on the difference between the carrying amount before the impairment and the present value of expected future payments from the loan, advance or receivable.

### Collective impairment charges

Loans, advances and receivables that are not written down individually are subject to a collective assessment of whether there is any indication of impairment for the group as a whole. A collective assessment involves groups of loans, advances and receivables with uniform credit risk characteristics.

The collective assessment is based on a segmentation model developed by the Association of Local Banks in Denmark, which is responsible for the ongoing maintenance and development of the model. The segmentation model determines the correlation in the individual groups between actual losses and a number of significant explanatory macroeconomic variables by way of a linear regression analysis. The explanatory macroeconomic variables include unemployment, housing prices, interest rates, number of bankruptcies/forced sales, etc.

The macroeconomic segmentation model is generally calculated on the basis of loss data for the entire banking sector. The bank has therefore assessed whether the model estimates need to be adapted to the bank's portfolio of loans and advances.

This assessment has entailed an adjustment of the model estimates to the bank's own circumstances, and these adjusted estimates form the basis of the calculation of collective impairment charges. An estimate has been calculated for each individual group of loans, advances and receivables, which expresses the percentage impairment of the specific

group of loans, advances and receivables at the balance sheet date. The individual loans and advances' impact on the group impairment is calculated by comparing the original risk of loss of the individual loans and advances with the risk of loss of the loans and advances at the beginning of the current reporting period. The impairment is calculated as the difference between the carrying amount and the discounted value of the expected future payments.

### Balances due from credit institutions

Balances due from credit institutions are measured at fair value on initial recognition and subsequently at amortised cost and comprise all receivables from credit institutions and central banks, including receivables in connection with genuine purchase and resale transactions.

### Cash in hand and balances at call

Cash in hand and balances at call are measured at fair value on initial recognition and subsequently at amortised cost.

### Contingency funds

The contingency funds can only be used for the benefit of policyholders. Contingency fund 2 is moreover subject to the restriction that it can only be used when permission has been obtained from the Danish Financial Supervisory Authority.

Deferred tax has been provided on the group's contingency funds.

### Dividends

Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item under shareholders' equity.

### Treasury shares

Purchases and sales of treasury shares are recognised directly in shareholders' equity under other reserves.

### Subordinated debt

Subordinated debt comprises liabilities which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims have been honoured. Subordinated debt is recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost using the effective interest method with the addition of the fair value of the hedged interest rate risk.

**NOTE 51 Accounting policies - continued****Issued bonds at amortised cost**

Issued bonds at amortised cost are recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, issued bonds are measured at amortised cost using the effective interest method.

**Provisions for insurance contracts**

Unearned premium provisions and outstanding claims provisions are measured at their discounted value if such discounting materially affects the size of the provisions. The discount rate applied is the maturity-dependent discount rate published by the Danish Financial Supervisory Authority for the duration in question.

*Unearned premium provisions*

Unearned premium provisions are measured as the best estimate of future claims for the part of the insurance period not yet run off, including all direct and indirect administrative and claims-handling expenses. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected. Unearned premium provisions on change of ownership policies are discounted.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the present value of the company's liabilities in respect of health and personal accident policies and the present value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk, costs incurred in managing insurance and claims handling and the rate of return obtainable in the market. The provisions are calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated based on the company's historical claims ratios on mortality and disability, respectively, and costs relative to the assumptions in the calculation basis for new contracts. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

*Life insurance provisions*

Life insurance provisions are stated at market value based on an expected cash flow discounted using the yield curve published by the Danish Financial Supervisory Authority. The market value expectations include a risk premium, corresponding to the risk of fluctuations in the amount and time of payment of guaranteed benefits. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

The expected future insurance benefits are estimated based on projections of mortality and disability. These are estimated based on the company's historical claims ratios on mortality and disability, respectively, and actual costs relative to the assumptions in the calculation basis for new contracts.

Life insurance provisions are divided into provisions for guaranteed benefits, bonus potential on future premiums and bonus potential on paid-up policy benefits.

Life insurance provisions are calculated at market value, based on individual calculations for each policy. Also, bonuses earned but not yet added to the individual policies are added to the provisions. For amounts exempt from tax on pension returns, a discount rate without deduction of tax on pension returns is used.

The provisions are generally calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated on the basis of an empirical analysis of the company's insurance portfolio.

Provisions for the guaranteed benefits comprise obligations to pay benefits guaranteed to the policyholder. Provisions for guaranteed benefits are calculated as the difference between the present value of the benefits guaranteed by the insurance policy and the present value of the expected future insurance administration costs less the present value of the agreed future premiums. The provision includes an estimated amount in cover of future benefits resulting from already incurred claims and an estimated amount for claims incurred but not reported. The guaranteed benefits are calculated with the addition of a premium, ensuring that as a minimum a value corresponding to the guaranteed surrender value is provided.

The bonus potential on future premiums comprises obligations to pay a bonus concerning premiums agreed but not yet due. For the portfolio of insurance with bonus entitlement, the bonus potential on future premiums is calculated as the difference between the value of the guaranteed paid-up policy benefits and the value of guaranteed benefits. Guaranteed paid-up policy benefits are benefits guaranteed under the insurance if the policy is converted into a paid-up policy. The value of the guaranteed paid-up policy benefits is calculated as the present value of the guaranteed paid-up policy benefits plus the present value of the expected future administrative costs associated with the paid-up policies. Whether the bonus potential on future premiums is to be strengthened is determined individually for each calculation basis.

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## NOTE 51 Accounting policies - continued

The bonus potential on paid-up policy benefits includes obligations to pay a bonus concerning premiums etc. already due. The bonus potential on paid-up policy benefits is calculated as the value of the policyholders' savings less provisions for the guaranteed benefits, the bonus potential on future premiums and the present value of the future administrative results. The administrative result is calculated as the future expense loading according to bonus regulations less the expected actual future administrative expenses reduced by the probability of surrender/paid-up policy. Whether the bonus potential on future premiums is to be strengthened is determined individually for each policy.

### *Outstanding claims provisions*

Outstanding claims provisions comprise the amounts provided at the end of the year against claims reported but not settled as well as amounts for claims incurred but not reported. They are generally estimated using statistical methods based on the payment history and the development in case reserves. For workers' compensation, a separate model has been introduced which is mainly based on rulings and case officer assessments of individual claims. Furthermore, the company makes a provision for future revisions of settled and unsettled claims and a provision for reopened and future delayed claims. Other factors affecting the necessary level of outstanding claims provisions include changes in legal practice, internal processes, inflation and singular, extreme claims.

The outstanding claims provisions also include amounts to cover direct and indirect costs considered necessary in connection with settling the claims obligations. The estimate of the provision is based on the direct and indirect costs incurred during a normal claims year on the establishment of new claims and the processing and settlement of old claims. Included in the calculations is the ratio of claims paid and the outstanding claims provisions at year end, including claims incurred but not reported.

Alm. Brand introduced a more precise method for discounting claims provisions in 2009. The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the adjusted yield curve of the Danish Financial Supervisory Authority. In workers' compensation, provisions relating to claims years more than ten years back are also discounted.

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provision models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation consists of an inflation element and a real wage element.

Several assumptions and estimates underlying the calculation of the provisions for claims are mutually dependent. However, the most important interdependence is that between the assumption of inflation and interest rates, although the effect of changes in the inflation rate assumption will not affect the calculation of the outstanding claims provisions as effectively as changes to the discount rate.

Provisions for claims relating to health and personal accident insurance are calculated at the present value of expected future payments. The outstanding claims provisions relating to health and personal accident insurance also include amounts to cover direct and indirect costs considered necessary in connection with settling the claims obligations. For reported claims, an individual assessment is made of the date of payment. The costs are estimated on the basis of the average duration of established claims payments and an assessment of the annual costs incurred in handling claims.

The provisions for current disablement benefits are determined individually, and an assessment of the duration of the benefits is made for each policy. To the determined provision is added a premium reflecting the risk of an extension of the expected duration, for example as a result of new health information. The premium is assessed regularly based on empirical experience.

### *Collective bonus potential*

Collective bonus potential comprises obligations to pay a bonus in addition to the bonus amounts added to the life insurance provisions. The amount is not allocated to individual policyholders.

### *Liability adequacy test*

The outstanding claims provisions are calculated according to actuarial methods and with a view to avoiding run-off losses as well as run-off gains. At the calculation date, the provisions thus represent the best estimate of future claims for the current and previous claims years. The outstanding claims provisions are calculated on a monthly basis, and the level is therefore assessed to be adequate at all times.

**NOTE 51 Accounting policies - continued**

The provision will be discounted if such discounting has a material impact on the size of the liability.

*Long-term employee obligations*

Provisions for pensions and similar obligations comprise jubilee benefits, etc. to employees, notwithstanding that the future benefit is subject to the individual being employed by the company at the time of the benefit. The value of the future benefits is recognised as the present value of the benefits expected to be paid based on a best estimate.

Current costs in respect of pensions etc. for the group's employees are treated as defined contribution plans. For defined contribution plans, the group pays fixed contributions and has no obligation to pay any further contributions. The obligations are fully funded.

**Other financial liabilities**

Other financial liabilities are measured at fair value on initial recognition. The liabilities are subsequently measured at amortised cost.

Deposits with ceding companies comprise amounts received which are kept to cover the insurance liabilities of other insurance companies towards the group's reinsurance companies.

Deposits for financial reinsurance comprise premiums received less deductions for claims paid equivalent to the company's liabilities pursuant to contracts made.

*Deposits*

Deposits are recognised at amortised cost and comprise all deposits, including obligations in connection with genuine sale and repurchase transactions and customers' receivable margins in connection with futures and option transactions.

*Payables to credit institutions*

Payables to credit institutions are measured at amortised cost and comprise obligations in connection with genuine sale and repurchase transactions and receivable margins in connection with futures and option transactions.

**INCOME STATEMENT****Premium income**

Gross premiums comprise premiums due relating to insurance and contracts where the risk period commenced before the end of the financial year.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions and less reinsurers' share. The part of the change in unearned premium provisions which can be ascribed to discounting is transferred to interest expenses, etc. The part of the change in unearned premium provisions which can be ascribed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Premiums relating to life insurance comprise premiums due during the year and single premiums less labour market contribution.

**Interest income, etc.**

Interest income and dividends, etc. includes dividends received and interest earned during the financial year.

The item also includes interest-like fees and commissions that are an integral part of the effective rate of interest on financial assets measured at amortised cost. Finally, the item recognises the part of the change in unearned premium provisions and outstanding claims provisions that can be ascribed to discounting.

**Fee income, etc.**

Fees, etc. are accrued over the lifetime of the transactions and recognised in the income statement at the amounts relating to the accounting period.

**Other income from investment activities**

The item includes the operating profit on investment property after deduction of related administrative expenses.

**Other income**

Income derived from activities that cannot be ascribed to the company's principal activities is recognised under other income.

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## NOTE 51 Accounting policies - continued

### Claims incurred

Claims incurred include claims paid during the insurance year adjusted for movements in claims provisions corresponding to known and anticipated claims relating to the year.

Amounts to cover expenses for surveying and assessment and other direct or indirect staff administration costs, etc. associated with claims handling are included in the item. In addition, the item includes run-off results regarding previous years.

The group's indirect costs relating to the handling of claims are distributed between claims expenses and administrative expenses using allocation keys based on estimated resource application.

The part of the change in outstanding claims provisions which can be ascribed to discounting is transferred to interest expenses, etc. The part of the change in outstanding claims provisions which can be ascribed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Alm. Brand has entered into swap agreements to partially hedge provisions for workers' compensation against changes in the future wage index, assuming a continued stable growth in the real value of claims paid. The value adjustment of these swaps is included in claims incurred.

Claims and benefits relating to life insurance comprise benefits due during the year, amounts paid for repurchases and bonus amounts paid in cash.

### Other expenses from investment activities

The item includes amounts associated with the management of investment assets. Brokerage and commission relating to the purchase and sale of securities is recognised under market value adjustments.

### Impairment of loans, advances and receivables, etc.

Impairment of loans, advances and receivables comprises impairment of loans, advances and receivables on which there is an objective indication of impairment and provisions for guarantees. The item also includes value adjustment of assets temporarily acquired in connection with closing commitments.

### Acquisition costs and administrative expenses

The part of the insurance operation expenses that can be ascribed to acquisition and renewal of the insurance portfolio

is recognised under acquisition costs. Acquisition costs are generally charged to the income statement when the insurance takes effect.

Administrative expenses comprise expenses related to managing the company's activities. Administrative expenses are accrued to match the financial year.

Operating expenses relating to owner-occupied properties are recognised in the consolidated income statement under administrative expenses. Rent concerning the company's owner-occupied properties is not recognised in the consolidated income statement, but the expense is included in the individual segment financial statements.

### Other expenses

Expenses associated with activities that cannot be ascribed to the company's principal activities are recognised under other expenses.

### Result of ceded business

For reinsurance contracts containing a combination of financial terms and traditional terms with transfer of risk, the risk premium is recognised on an accruals basis under premium income. The accrual is based on the value of the contracts at the end of the year. Realised losses relating to these contracts are included in claims after adjustment for movements in financial deposits.

Reinsurance premiums ceded and reinsurers' share received are accrued and recognised in the income statement according to the same principles as those applied for the corresponding items under the gross business.

Changes in ceded business attributable to discounting are transferred to interest expenses etc. while changes attributable to changes in the discount rate applied are transferred to value adjustments.

### Value adjustments

Value adjustments include all realised and unrealised gains and losses on investment assets, except for value adjustment of subsidiary and associated undertakings and revaluations of owner-occupied properties.

### Tax on pension returns

Tax on pension returns includes the tax levied on returns relating to the group's life insurance activities, notwithstanding whether the tax is payable now or at a later date.

**NOTE 51 Accounting policies - continued****TAX**

All companies in the group are jointly taxed.

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

Current tax assets and liabilities are recognised in the balance sheet at the amount that can be calculated on the basis of the expected taxable income for the year adjusted for prior years' tax losses carried forward.

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is measured on the basis of the tax regulations and tax rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax.

Deferred tax assets, including the tax base of tax losses carried forward, are measured at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

**SEGMENT INFORMATION**

Business segments are the group's primary segment, while the geographical segment is the secondary segment because the group primarily covers the Danish market.

The segment information follows the group's internal reporting structure, reflecting a risk allocation on relevant business areas.

More detailed segment information is provided in the management's review.

**CASH FLOW STATEMENT**

The cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the group's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities include the items of the income statement adjusted for operating items of a non-cash nature. Realised gains and losses on the sale of tangible assets or investment assets are included in cash flows from investing activities.

Cash flows from investing activities include changes in intra-group accounts and net additions of investment assets, including realised gains and losses on the sale of such assets.

Cash flows from financing activities include financing from shareholders as well as by raising of short-term and long-term loans.

Cash and cash equivalents comprise cash and demand deposits.

**Disclaimer**

This announcement contains forward-looking statements regarding the company's expectations for future financial development 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 list of risk factors is 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 annual 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.



**FINANCIAL  
STATEMENTS  
PARENT COMPANY**

# BALANCE SHEET

DKKm	Note	Parent company	
		2010	2009
<b>Assets</b>			
Investment in group enterprises	1	4,495	4,308
Loans to group enterprises		0	0
Investment in associates	2	0	17
<b>Total investments in group enterprises and associates</b>		<b>4,495</b>	<b>4,325</b>
Equity investments		1	1
Other loans and advances		2	2
Deposits with credit institutions	3	50	0
Cash in hand and balances at call	4	371	9
<b>Total other financial investment assets</b>		<b>424</b>	<b>12</b>
<b>Total investment assets</b>		<b>4,919</b>	<b>4,337</b>
Receivables from group enterprises		0	7
Other receivables		38	31
<b>Total receivables</b>		<b>38</b>	<b>38</b>
Current tax assets	5	8	13
Deferred tax assets	6	19	13
<b>Total other assets</b>		<b>27</b>	<b>26</b>
<b>Total assets</b>		<b>4,984</b>	<b>4,401</b>
<b>Liabilities and equity</b>			
Share capital		1,735	1,388
Other provisions		1,215	0
Retained earnings		1,640	2,098
<b>Total shareholders' equity</b>	7	<b>4,590</b>	<b>3,486</b>
Subordinated debt		250	249
<b>Subordinated debt</b>	8	<b>250</b>	<b>249</b>
Deferred tax liabilities	9	46	46
<b>Total provisions</b>		<b>46</b>	<b>46</b>
Payables to group enterprises		13	501
Issued bonds		32	26
Other payables		53	93
<b>Total payables</b>		<b>98</b>	<b>620</b>
<b>Total liabilities and equity</b>		<b>4,984</b>	<b>4,401</b>
Contingent liabilities, guarantees and lease agreements	10		
Staff costs	11		
Auditors' fees (DKK '000)	12		
Related parties	13		

# INCOME STATEMENT

DKKm	Note	Parent company	
		2010	2009
Income from group enterprises	14	-360	-1,006
Income from associates	15	0	-1
Interest income and dividends, etc.	16	1	27
Interest expenses	17	-34	-9
Administrative expenses related to investment activities	18	-21	-11
<b>Total return on investments</b>		<b>-414</b>	<b>-1,000</b>
<b>Profit/loss before tax</b>		<b>-414</b>	<b>-1,000</b>
Tax	19	14	-1
<b>Profit/loss for the year</b>		<b>-400</b>	<b>-1,001</b>
<b>Proposed allocation of loss:</b>			
Retained earnings		-400	-1,001
<b>Comprehensive income</b>			
Profit/loss for the year		-400	-1,001
Revaluation of owner-occupied properties		-2	-4
<b>Comprehensive income</b>		<b>-402</b>	<b>-1,005</b>
<b>Proposed allocation of loss:</b>			
Retained earnings		-402	-1,005

# STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Other provi- sions	Retained earnings	Share- holders' equity
<b>Shareholders' equity at 1 January 2009</b>	<b>1,476</b>	<b>0</b>	<b>3,034</b>	<b>4,510</b>
<b>Changes in shareholders' equity 2009:</b>				
Profit/loss for the year			-1,001	-1,001
Revaluation of owner-occupied properties in subsidiaries			-4	-4
Tax on changes recognised in equity			0	0
Comprehensive income	0	0	-1,005	-1,005
Cancellation of treasury shares	-88	0	88	0
Purchase and sale of treasury shares			11	11
Share buyback programme			-30	-30
<b>Changes in shareholders' equity</b>	<b>-88</b>	<b>0</b>	<b>-936</b>	<b>-1,024</b>
<b>Shareholders' equity at 31 December 2009</b>	<b>1,388</b>	<b>0</b>	<b>2,098</b>	<b>3,486</b>
<b>Shareholders' equity at 1 January 2010</b>	<b>1,388</b>	<b>0</b>	<b>2,098</b>	<b>3,486</b>
<b>Changes in shareholders' equity 2010:</b>				
Profit/loss for the year			-400	-400
Revaluation of owner-occupied properties in subsidiaries			-2	-2
Tax on changes recognised in equity			0	0
Comprehensive income	0	0	-402	-402
Reduction of capital on 11 November 2010	-1,215	1,215	0	0
Share issue on 30 December 2010	1,562	0	0	1,562
Cost relating to share issue	0	0	-63	-63
Tax on changes recognised in equity	0	0	9	9
Purchase and sale of treasury shares in subsidiaries	0	0	-2	-2
Tax on changes recognised in equity	0	0	0	0
<b>Changes in shareholders' equity</b>	<b>347</b>	<b>1,215</b>	<b>-458</b>	<b>1,104</b>
<b>Shareholders' equity at 31 December 2010</b>	<b>1,735</b>	<b>1,215</b>	<b>1,640</b>	<b>4,590</b>

# NOTES TO THE FINANCIAL STATEMENTS

DKKm	2010	2009
<b>Note 1 Investment in group enterprises</b>		
Cost beginning of year	5,991	4,242
Additions during the year	850	1,750
Disposals	0	-1
<b>Cost, year-end</b>	<b>6,841</b>	<b>5,991</b>
Revaluation and impairment beginning of year	-1,683	-162
Dividend received	-300	-511
Profit/loss for the year	-360	-1,006
Revaluation of owner-occupied properties associates	-2	-4
Revaluation and impairment of treasury shares in subsidiaries	-1	0
<b>Revaluation and impairment, year-end</b>	<b>-2,346</b>	<b>-1,683</b>
<b>Investment in group enterprises, year-end</b>	<b>4,495</b>	<b>4,308</b>
Specification of carrying amount:		
Alm. Brand Bank A/S	1,564	1,362
Alm. Brand Forsikring A/S	2,930	2,945
Asgaard Finans A/S	1	1
<b>Investment in group enterprises, year-end</b>	<b>4,495</b>	<b>4,308</b>
<b>Note 2 Investment in associates</b>		
Cost beginning of year	60	60
Disposals by sale	-60	0
<b>Cost, year-end</b>	<b>0</b>	<b>60</b>
Revaluation and impairment beginning of year	-43	-42
Profit/loss for the year	0	-1
Disposals by sale	43	0
<b>Revaluation and impairment, year-end</b>	<b>0</b>	<b>-43</b>
<b>Investment in associates, year-end</b>	<b>0</b>	<b>17</b>
Alm. Brand A/S sold its ownership interest in EDC-udvikling a/s in 2010.		
<b>Note 3 Deposits with credit institutions</b>		
Fixed-term deposits, eksternal banks	50	0
<b>Deposits with credit institutions, year-end</b>	<b>50</b>	<b>0</b>
<b>Note 4 Cash in hand and balances at call</b>		
Deposits held at call, Alm. Brand Bank	0	0
Escrow account, Alm. Brand Bank	8	9
Custody accounts, eksternal banks	363	0
<b>Cash at hand and balances at call, year-end</b>	<b>371</b>	<b>9</b>
<b>Note 5 Current tax assets</b>		
Current tax assets beginning of year	13	26
Tax paid in respect of prior years	-13	-26
Tax paid during the year	0	11
Tax on profit/loss for the year	8	2
<b>Current tax assets, year-end</b>	<b>8</b>	<b>13</b>

DKKm	2010	2009
<b>Note 6 Deferred tax assets</b>		
Deferred tax assets beginning of year	13	16
Change for the year	6	-3
<b>Deferred tax assets, year-end</b>	<b>19</b>	<b>13</b>
Deferred tax on equipment	6	5
Deferred tax on provisions	3	5
Deferred tax on losses carried forward	10	3
<b>Deferred tax assets, year-end</b>	<b>19</b>	<b>13</b>

<b>Note 7 Shareholders' equity</b>		
Share capital beginning of year	1,388	1,476
Change for the year	-1,215	0
Deferred tax assets, year-end	1,562	0
Cancellation of treasury shares	0	-88
<b>Share capital, year-end</b>	<b>1,735</b>	<b>1,388</b>

The share capital consists of 173,500,000 shares of DKK 10 each and has been fully paid up.

DKKm	2010	2009	2008	2007	2006
Share capital beginning of year	1,388	1,476	1,668	1,788	1,788
Reduction of capital on 11 November 2010	-1,215	0	0	0	0
Share issue on 30 December 2010	1,562	0	0	0	0
Cancellation of treasury shares	0	-88	-192	-120	0
<b>Share capital, year end</b>	<b>1,735</b>	<b>1,388</b>	<b>1,476</b>	<b>1,668</b>	<b>1,788</b>

Reference is made to the statement of changes in equity.

DKKm	2010	2009
<b>Solvency</b>		
Tier 1 capital after deductions	3,895	2,833
Capital base after deductions	3,469	2,443
<b>Weighted assets subject to market risks, etc.</b>	<b>3,707</b>	<b>3,511</b>
<b>Total weighted assets</b>	<b>3,707</b>	<b>3,511</b>
Tier 1 capital after deductions as a percentage of total weighted items	105.1%	80.7%
Solvency ratio	93.6%	69.6%

The risk-weighted items have been prepared in accordance with the Danish Financial Business Act.

<i>No. of shares</i>		
Reconciliation of the no. of shares (1,000)		
Issued shares beginning of year	17,350	18,450
Treasury shares beginning of year	-515	-1,376
<b>No. of shares beginning of year</b>	<b>16,835</b>	<b>17,074</b>
Shares bought back	0	-392
Employee shares issued	94	153
Share issue on 30 December 2010	156,150	0
Cancellation of treasury shares	0	1,100
Issued shares, year-end	173,500	17,350
Treasury shares, year-end	-421	-515
<b>No. of shares at year-end</b>	<b>173,079</b>	<b>16,835</b>
<i>Treasury shares</i>		
Carrying amount beginning of year	0	0
Value adjustment	9	69
Acquired during the year	0	30
Sold during the year	-7	-11
Sale of Pre-emptive Rights	-2	0
Cancellation of treasury shares	0	-88
<b>Carrying amount year-end</b>	<b>0</b>	<b>0</b>

DKKm	2010	2009
Nominal value beginning of year	41	110
Acquired during the year	0	31
Sold during the year	-7	-12
Sale of Pre-emptive Rights	-38	0
Allocation of Pre-emptive Rights	38	0
Cancellation of treasury shares	0	-88
<b>Reduction of capital</b>	<b>-30</b>	<b>0</b>
<b>Nominal value, year-end</b>	<b>4</b>	<b>41</b>
Holding (no. of shares) beginning of year	515	1,376
Acquired during the year	0	392
Sold during the year	-94	-153
Sale of Pre-emptive Rights	-3,793	0
Allocation of Pre-emptive Rights	3,793	0
Cancellation of treasury shares	0	-1,100
<b>Holding (no. of shares), year-end</b>	<b>421</b>	<b>515</b>
Percentage of share capital	0.2%	3.0%

**Note 8 Subordinated debt**

Floating rate bullet loans maturing 2017.09.07	250	249
<b>Subordinated debt, year-end</b>	<b>250</b>	<b>249</b>
Interest on subordinated debt	13	5
Costs incurred in connection with the raising of the subordinated debt	0	1

The subordinate loan capital carries a floating rate of interest of 3M CIBOR plus 4.0 percentage points.

**Note 9 Deferred tax liabilities**

Deferred tax on contingency funds in group enterprises	46	46
<b>Deferred tax, year-end</b>	<b>46</b>	<b>46</b>

The company is liable to pay a possible tax amount in Denmark in respect of recaptured losses in foreign entities. The liability amounts to a maximum of DKK 316 million.

The amount will fall due for payment if the foreign operations exit from the joint taxations scheme before 2015.

**Note 10 Contingent liabilities, guarantees and lease agreements**

Guarantee commitments	491	488
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Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (pensionsafviklingskasse). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

Alm. Brand A/S has made rental agreements for premises with total annual payments of DKK 89 million allocated over a five-year period.

Alm. Brand A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability of these companies for income years up till 2004. As from 2005, Alm. Brand A/S is only jointly and severally liable for the indirect tax liability.

DKKm	2010	2009
<b>Note 11 Staff costs</b>		
Salaries and wages	8	30
Pension	2	3
Payroll tax, etc.	0	0
<b>Total salaries and wages, pension, etc.</b>	<b>10</b>	<b>33</b>
<b>Average number of employees</b>	<b>3</b>	<b>3</b>
Remuneration to the Board of Directors (DKK '000)	3,135	2,747
Remuneration to the Management Board (DKK '000)	6,054	26,971
<b>Total remunerations</b>	<b>9,189</b>	<b>29,718</b>

No bonus was earned to the members of the Management Board in relation to 2010. Remuneration to the members of the Management Board comprises remuneration to Chief Executive Søren Boe Mortensen. In 2009 remuneration to the members of the Management Board comprises allowances to a former Deputy Chief Executive Officer

The number of Board members was increased by one in 2010.

#### Note 12 Audit fees (DKK '000)

Deloitte:

Audit	617	628
Engagements other than audits and reviews	2,400	0
Tax consultancy	412	693
Non-audit services	104	62
<b>Total audit fees</b>	<b>3,533</b>	<b>1,383</b>

#### Note 13 Related parties

Related parties comprise:

- Members of the company's Management Board and Board of Directors and their related family members
- Companies controlled by members of the Management Board of Board of Directors
- Other companies in the Alm. Brand Group
- Alm. Brand af 1792 fmba, which exercises a controlling influence on the company

Related party transactions:

The Group has intra-group functions that solve joint administrative tasks for the companies of the Group, and in this connection administrative agreements are in place between the respective Group companies ensuring that the rules on intra-group transactions are observed.

Alm. Brand Bank is the Alm. Brand Group's primary banker. This involves the conclusion of a number of agreements between the company and the group's other enterprises, and a number of transactions are regularly made between the company and the rest of the group. All agreements and transactions between the company and the bank are made on an arm's length or cost-recovery basis in accordance with applicable legislation for intra-group transactions.

An agreement has been made on interest accruing on accounts between the bank and the other group companies on an arm's length basis.

Alm. Brand af 1792 fmba has contributed subordinated loan capital to Alm. Brand A/S which carries interest on market terms. In November 2010, Alm. Brand af 1792 fmba granted a senior loan of DKK 600 million. In connection with the rights issue, senior loans in a total amount of DKK 900 million were converted into share capital.

Other than the above, no material intra-group transactions have taken place.

#### Note 14 Income from group enterprises

Alm. Brand Bank A/S	-647	-1,325
Alm. Brand Forsikring A/S	287	319
Asgaard Finans A/S	0	0
<b>Total income from group enterprises</b>	<b>-360</b>	<b>-1,006</b>

The results are recognised in the following items:

Income from group enterprises	-360	-1,006
<b>Total income from group enterprises</b>	<b>-360</b>	<b>-1,006</b>

DKKm	2010	2009
<b>Note 15 Income from associates</b>		
EDC-Udvikling a/s	0	-1
<b>Total income from associates</b>	<b>0</b>	<b>-1</b>
The profit/loss is included in the following items:		
Income from associates	0	0
Total income from associates	0	0
<b>Note 16 Interest income and dividends, etc.</b>		
Interest, Alm. Brand Bank	0	5
Other interest	1	22
<b>Total interest income and dividends, etc.</b>	<b>1</b>	<b>27</b>
<b>Note 17 Interest expenses</b>		
Interest expenses, group enterprises	-34	-2
Other interest expenses	0	-7
<b>Total interest expenses</b>	<b>-34</b>	<b>-9</b>
<b>Note 18 Administrative expenses related to investment activities</b>		
Cost, group enterprises	-1	-9
Other costs	-20	-2
<b>Total administrative expenses related to investment activities</b>	<b>-21</b>	<b>-11</b>
<b>Note 19 Tax</b>		
Tax on profit/loss of jointly taxed foreign enterprises	8	2
Adjustment of deferred tax	6	-3
<b>Total tax</b>	<b>14</b>	<b>-1</b>
<i>Effective tax rate</i>		
Current tax rate	25.0%	25.0%
Tax on profit/loss of jointly taxed foreign enterprises	0.0%	-7.3%
Prior-year adjustment of deferred tax	-0.2%	0.0%
Prior-year adjustment	0.4%	-0.1%
Tax adjustments	0.3%	3.6%
<b>Total effective tax rate</b>	<b>25.5%</b>	<b>21.2%</b>

## NOTE 20 Accounting policies

### GENERAL

The annual report is presented in compliance with the Danish Financial Business Act, including the Executive Order on financial reports presented by insurance companies and lateral pension funds. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

The consolidated financial statements of Alm. Brand A/S are prepared in accordance with the International Financial Reporting Standards as approved by the EU. With respect to recognition and measurement, the accounting policies of the parent company Alm. Brand A/S are identical to those described for the group, with the exception that:

Investments in subsidiaries are recognised and measured at the parent company's share of the subsidiaries' 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 2010.

# FINANCIAL RATIOS

$$\text{Return on equity before tax} = \frac{\text{Profit before tax} \times 100}{\text{Average shareholders' equity}}$$

$$\text{Return on equity after tax} = \frac{\text{Profit for the year} \times 100}{\text{Average shareholders' equity}}$$

In the calculation of return on equity, consideration is made for capital increases in the year and any other equity entries to the effect that such changes are included on a pro rata basis.

## Financial ratios, Alm, Brand A/S, parent company

$$\text{Net asset value per share} = \frac{\text{Shareholders' equity} \times 100}{\text{No. of shares at year-end}}$$

$$\text{Earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

$$\text{Diluted earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

In the determination of the average number of shares, any stock options and warrants are taken into consideration.

$$\text{Price/NAV} = \frac{\text{Share price}}{\text{Net asset value per share}}$$

## Financial ratios, non-life insurance

Key ratios have been calculated in accordance with the Executive Order on financial reports presented by insurance companies and profession-specific pension funds:

$$\text{Gross claims ratio} = \frac{\text{Gross claims incurred} \times 100}{\text{Gross premium income}}$$

$$\text{Gross expense ratio} = \frac{\text{Insurance operating expenses} \times 100}{\text{Gross premium income}}$$

$$\text{Net reinsurance ratio} = \frac{\text{Profit/loss on reinsurance} \times 100}{\text{Gross premium income}}$$

$$\text{Combined ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income}}$$

$$\text{Operating ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income} + \text{Technical interest}}$$

Key ratios have been calculated in accordance with the Executive Order on financial reports presented by credit institutions and investment companies, etc.:

#### Financial ratios, banking

$$\text{Interest margin} = \frac{\text{Net interest income}}{\text{Average interest-bearing assets} - \text{average interest-bearing liabilities}}$$

$$\text{Impairment ratio for the year} = \frac{\text{Impairment for the year} \times 100}{\text{Loans and advances} + \text{guarantees} + \text{impairment}}$$

$$\text{Income/cost ratio} = \frac{\text{Income}}{\text{Costs}}$$

#### Financial ratios, life insurance

Key ratios have been calculated in accordance with the Executive Order on financial reports presented by insurance companies and profession-specific pension funds.

# DIRECTORSHIPS AND SPECIAL QUALIFICATIONS

## BOARD OF DIRECTORS



### DIRECTORSHIP

#### JØRGEN H. MIKKELSEN

Chairman  
Born 1954  
Member of the Board of Directors since 1994

#### Chairman of the boards of directors of:

Alm. Brand A/S  
Alm. Brand Bank A/S  
Alm. Brand Fond  
Alm. Brand af 1792 fmba

#### Member of the boards of directors of:

Forsikringsselskabet Alm. Brand Liv og Pension A/S  
Alm. Brand Forsikring A/S

#### Directorships outside the Alm. Brand Group

#### Chairman of the board of directors of:

A/S Sydjysk Korn- og Foderstof-Kompagni  
Chr. Petersen A/S  
Danish Agro A.m.b.a  
Danish Agro Byggecenter A/S  
Danish Agro Fyn A/S (genindtrådt i 2010 efter  
udtræden i 2009)  
Danish Agro Holding A.m.b.a.  
Tømrermester Søren Gliese-Mikkelsen A/S

#### Member of the boards of directors of:

Den Lokale Andel A.M.B.A.  
DPL Invest A/S (Investeringselskabet for Dansk  
Primær Landbrug)  
Hesselbjerg Agro A/S

#### Managing director of:

J.H.M. Holding ApS

### SPECIAL QUALIFICATIONS

General management experience  
Experience from the Alm. Brand Group's customer segments  
Experience in audit and accounting matters  
(particularly in relation to membership of the audit committee)



### DIRECTORSHIP

#### BORIS N. KJELDEN

Deputy Chairman  
Born 1959  
Member of the Board of Directors since 2003

#### Deputy chairman of the boards of directors of:

Alm. Brand A/S  
Alm. Brand Bank A/S  
Alm. Brand Fond  
Alm. Brand af 1792 fmba

#### Member of the boards of directors of:

Forsikringsselskabet Alm. Brand Liv og Pension A/S  
Alm. Brand Forsikring A/S

#### Directorships outside the Alm. Brand Group

#### Chairman of the board of directors of:

Breinholt Consulting A/S  
Breinholt Invest A/S  
DATEA A/S  
Kemp & Lauritzen A/S  
Sigvald Madsen Holding A/S  
Sigvald Madsen Aktieselskab, Håndværkerfirma

#### Member of the boards of directors of:

Benny Johansen & Sønner A/S  
DAVISTA Komplementarselskab A/S  
DAVISTA K/S

#### Managing director of:

DADES A/S (adm.dir.)  
DAVISTA Komplementarselskab A/S  
DAVISTA K/S

### SPECIAL QUALIFICATIONS

General management experience  
Experience from the Alm. Brand Group's customer segments  
Experience in audit and accounting matters  
(particularly in relation to membership of the audit committee)  
Insight into financial matters  
Insight into legal matters



#### DIRECTORSHIP

##### TAGE BENJAMINSEN

Born 1945

Member of the Board of Directors since 2010

##### Member of the boards of directors of:

Alm. Brand A/S

##### Directorships outside the Alm. Brand Group

##### Chairman of the board of directors of:

Kristensen Properties A/S

Kristensen Germany AG, datterselskab af Kristensen Partners IV A/S

Kristensen Salzgitter AG, datterselskab af Kristensen Partners IV A/S

Kristensen City-Immobilien I AG, datterselskab af Kristensen Partners III A/S

##### Member of the boards of directors of:

Kristensen Partners III A/S

Kristensen Partners IV A/S (næstformand)

K/S Kristensen Partners I

LDE Management ApS

LDE 1 ApS

LDE 2 ApS

LDE 3 ApS

Sylvester-Hvid & Co. A/S

Benjaminsen Invest ApS

##### Managing director of:

Benjaminsen Invest ApS

#### SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Experience in audit and accounting matters (particularly in relation to membership of the audit committee)

Insight into financial matters

Insight into economic matters



#### DIRECTORSHIP

##### JAN SKYTTE PEDERSEN

Born 1956

Member of the Board of Directors since 2010

##### Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

##### Directorships outside the Alm. Brand Group

##### Member of the boards of directors of:

Energimidt Holding A.M.B.A.

Energimidt Net A/S

Energimidt Net Vest A/S

Herm. Rasmussen A/S Holding

Herm. Rasmussen A/S

Herm. Rasmussen A/S Malerforretning

Herm. Rasmussen A/S Erhvervsjendomme

K/S Papirfabrikken

Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

Ringvejens Autolakereri A/S

Silkeborg IF Invest A/S

##### Managing director of:

Herm. Rasmussen A/S Holding

Herm. Rasmussen A/S

Herm. Rasmussen A/S Malerforretning

Herm. Rasmussen A/S Erhvervsjendomme

Ringvejens Autolakereri A/S

Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

#### SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Insight into financial matters



#### DIRECTORSHIP

##### HENRIK CHRISTENSEN

Born 1950

Member of the Board of Directors since 2010

##### Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

##### Directorships outside the Alm. Brand Group

##### Chairman of the board of directors of:

Baltic Agro Group A/S

Hjallerup Træ og Spærffabrik A/S

O.J. Malerentreprise A/S

T.E. Gruppen A/S

Torben Enggaard Holding A/S

##### Member of the boards of directors of:

Air Truck Sea Cargo A/S

Anelin A/S

Boulevarden 1 Invest ApS

Carl Pedersen A/S Aalborg

Larsen & Sørensen Holding A/S

Musikhuset Jomfru Ane Gade ApS

##### Managing director of:

Advokatanpartsselskabet Henrik Christensen

Boulaw 8 ApS

VGH Nr. 277 ApS

##### Stakeholder:

Fortuna I/S

##### Liquidator's duties:

European Consulting & Investments ApS

- the company entered into liquidation in 2010

#### SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Insight into legal matters



#### DIRECTORSHIP

##### ARNE NIELSEN

Born 1944

Member of the Board of Directors since 2009

##### Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Forsikringsselskabet Alm. Brand Liv og Pension A/S

Alm. Brand Forsikring A/S

##### Directorships outside the Alm. Brand Group

##### Managing director of:

Pensionsinvest af 15.11.2005 ApS

Cartofico Lejlighed 4 P/S

#### SPECIAL QUALIFICATIONS

Experience in audit and accounting matters

(particularly in relation to membership of the audit committee)

Insight into financial matters

Insight into economic matters



#### DIRECTORSHIP

##### PER FRANDSEN

Born 1952

Member of the Board of Directors since 2009

##### Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

#### SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Insight into financial matters



**DIRECTORSHIP**

**HELLE LÅSBY FREDERIKSEN**

Employee representative  
Born 1962  
Member of the Board of Directors since 2010

**Member of the boards of directors of:**

Alm. Brand A/S  
Alm. Brand af 1792 fmba  
Alm. Brand Fond

**Chairman of the board of directors of:**

Personaleforeningen i Alm. Brand Forsikring A/S

**SPECIAL QUALIFICATIONS**

Experience from the Alm. Brand Group's customer segments



**DIRECTORSHIP**

**SUSANNE LARSEN**

Employee representative  
Born 1964  
Member of the Board of Directors since 2006

**Member of the boards of directors of:**

Alm. Brand A/S

**SPECIAL QUALIFICATIONS**

Experience from the Alm. Brand Group's customer segments  
Insight into financial matters



**DIRECTORSHIP**

**PER DAHLBOM**

Employee representative  
Born 1958  
Member of the Board of Directors since 2009

**Member of the boards of directors of:**

Alm. Brand A/S  
Alm. Brand af 1792 fmba  
Alm. Brand Fond

**SPECIAL QUALIFICATIONS**

Experience from the Alm. Brand Group's customer segments



**DIRECTORSHIP**

**HENNING KAFFKA**

Employee representative  
Born 1965  
Member of the Board of Directors since 2010

**Member of the boards of directors of:**

Alm. Brand A/S  
Alm. Brand af 1792 fmba  
Alm. Brand Fond

**SPECIAL QUALIFICATIONS**

Experience from the Alm. Brand Group's customer segments

## MANAGEMENT BOARD



### DIRECTORSHIP

Chief Executive

#### **SØREN BOE MORTENSEN**

Joined Alm. Brand in 1987

Member of the Management Board since 1998

Chief Executive since December 2001

Born 1955

#### **Chief Executive of:**

Alm. Brand A/S

Alm. Brand af 1792 fmba

#### **Chairman of the boards of directors of:**

Alm. Brand Service ApS

Asgaard Finans A/S

Alm. Brand Forsikring A/S

Alm. Brand Præmieservice A/S

Alm. Brand Ejendomsinvest A/S

Alm. Brand Formue A/S

Alm. Brand Pantebreve A/S

Forsikringselskabet Alm. Brand Liv og Pension A/S

#### **Member of the boards of directors of:**

Alm. Brand Bank A/S

#### **Chairman appointed by the Management Board of:**

Pensionskassen under Alm. Brand A/S

#### **Directorships outside the Alm. Brand Group**

#### **Chairman of the boards of directors of:**

Forsikringsakademiet A/S

#### **Member of the boards of directors of:**

Forsikring & Pension (Deputy Chairman)

## GROUP COMPANIES

DKKm	Activity	Profit/loss for the year	Shareholders' equity at year-end	Owner- ship interest
<b>PARENT COMPANY</b>				
Alm. Brand A/S, Copenhagen	Holding	- 400	4,590	
<b>NON-LIFE INSURANCE</b>				
Alm. Brand Forsikring A/S, Copenhagen	Insurance	287	2,930	100%
Alm. Brand Service ApS, Copenhagen	IT operation and development	13	65	100%
<b>REINSURANCE</b>				
Forsikringselskabet Alm. Brand Liv og Pension A/S, Copenhagen	Insurance	132	1,167	100%
Alm. Brand Ejendomsinvest A/S, Copenhagen	Real property	82	1,253	100%
<b>BANK OG FINANSIERING</b>				
Alm. Brand Bank A/S, Copenhagen	Bank	- 647	1,564	100%
Alm. Brand Leasing A/S, Copenhagen	Car finance and leasing	- 3	232	100%
Alm. Brand Pantebreve A/S, Copenhagen	Investment	- 108	- 25	95%
Alm. Brand Formue A/S, Copenhagen	Investment	66	342	44%
The Alm. Brand Bank Group also consists of three wholly-owned property companies. These three companies owned by Alm. Brand Bank were established in connection with the take-over of a number of properties held temporarily.				
<b>ØVRIGE SELSKABER</b>				
Alm. Brand Præmieservice A/S, Copenhagen	Financing	0	1	100%
Asgaard Finans A/S, Copenhagen	Holding	0	1	100%
<b>ASSOCIATED COMPANIES</b>				
Invest Administration A/S	Administration	5	9	50%
Nordic Corporate Investments A/S	Investment	12	119	25%
Hirlap Finans ApS	Trade, industry og investment	0	0	25%

"Ownership interest" indicates Alm. Brand A/S' direct or indirect ownership interests.

