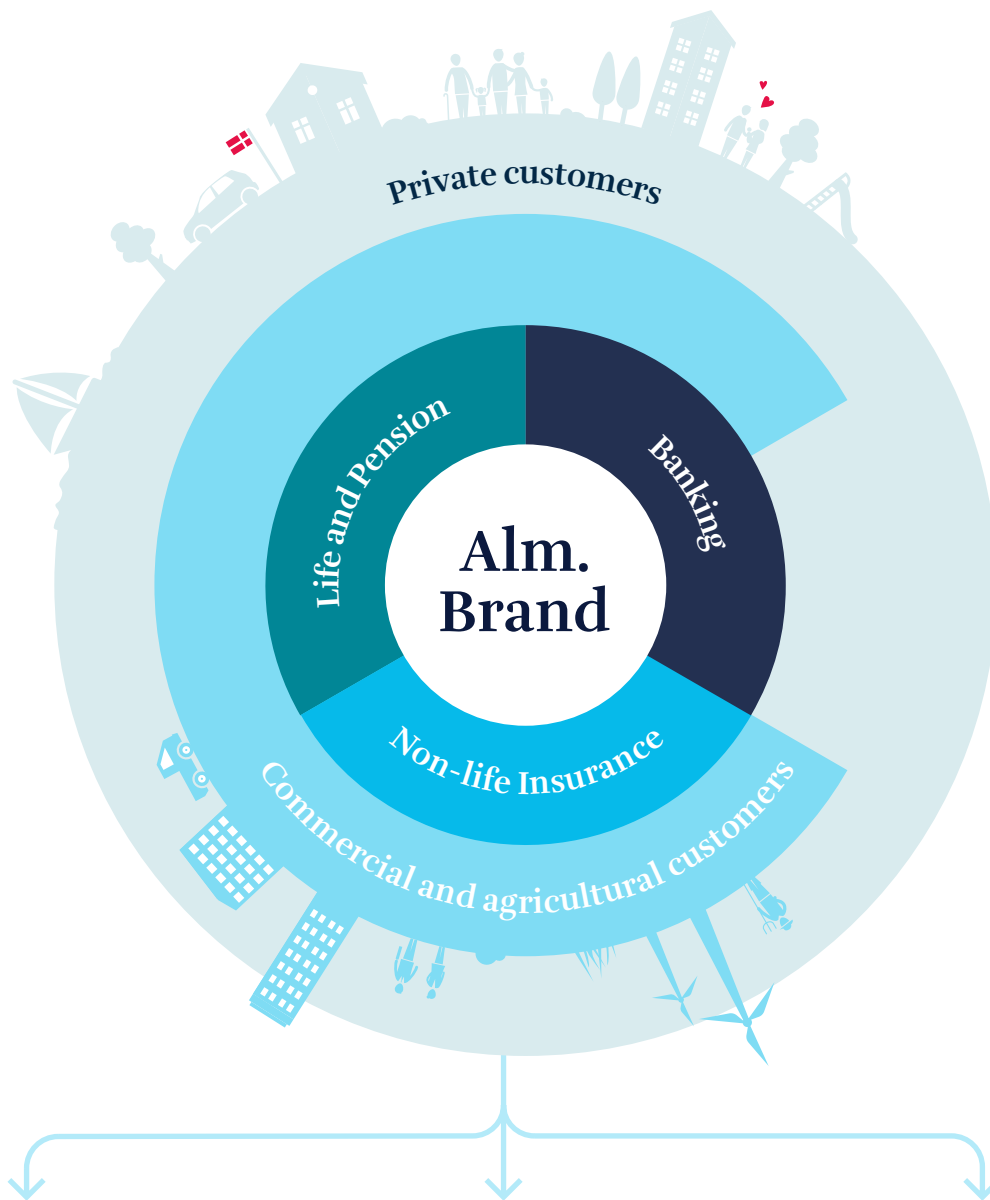




Our *business model*

We offer supreme customer service and high-quality products covering the full range of our customers' financial needs.



Benefits for our customers

- All financial solutions consolidated in one place
- Financial advisory services tailored to the needs of each individual customer
- Nation-wide coverage with 25 branches and offices as well as online services
- High quality and customer satisfaction

Benefits for Alm. Brand

- Many customer contact points
- Synergies in the form of shared functions and knowledge sharing across the organisation
- Long-term customer relations
- In-depth knowledge of customer needs, solutions and risks
- Extensive partnership network across Denmark

Supportive group structure

- Strong brand
- Synergies in the form of shared functions
- Cost efficiency
- High employee satisfaction

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Alm. Brand in brief

Alm. Brand is a Danish financial services group.
We carry on business within banking,
insurance and pension.

We take care of our customers

The vision – taking care of – implies that we

- take an interest in our customers' needs and help them get the necessary understanding and decision-making basis for choosing financial services
- are attentive to our customers as part of our day-to-day routines so they know that we take an interest in them
- help and take care of our customers in the best possible way when they find themselves in a new or unexpected situation

Our values



Ordinary common sense

- We identify with the customer
- We keep our promises
- We manage rules using common sense



Mutual respect

- We listen to our customers
- We respect our customers' experiences
- We draw on each other's knowledge and experience



Holism and proximity

- We care for our customers
- We take a holistic approach to the customer's situation
- We are accessible



Will to succeed

- We set ambitious and realistic goals
- We develop professionally and personally
- We create results together

Founded

1792

Alm. Brand was founded by Royal Decree on 29 February 1792 – 225 years ago.

Employees

1,600

We are some 1,600 employees working at our head office in Copenhagen and in our local offices and branches.

Branches and offices

25

We have 25 branches and offices across Denmark supplemented by digital platforms.

Alm. Brand af 1792 fmba

60%

Our largest shareholder is Alm. Brand af 1792 fmba, which holds about 60% of the shares of Alm. Brand A/S.

Overview of 2016 results

The 20% return on equity made for a highly satisfactory performance that was significantly better than the guidance expressed at the beginning of 2016.

137%

Payout ratio

An ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 3.50 per share. In addition, a share buyback programme of up to DKK 300 million.

Performance of the group

Alm. Brand posted consolidated profit of DKK 1,033 million before tax, which was slightly ahead of guidance and significantly better than expected at the beginning of the year. The profit was composed of a DKK 1,051 million profit on forward-looking activities and a DKK 18 million loss on winding-up activities.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 3.50 per share. This corresponds to an ordinary dividend payout of about DKK 250 million and an extraordinary dividend payout of about DKK 580 million. In addition, a new share buyback programme will be initiated for up to DKK 300 million, which is expected to run until end-March 2018. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

This means that Alm. Brand will distribute a total of up to DKK 1.1 billion based on the 2016 results. The total dividend payout ratio equals 137% of the profit for the year.

Non-life Insurance

The group's non-life insurance activities reported a highly satisfactory pre-tax profit of DKK 967 million in 2016.

At a combined ratio of 82.2, the technical result was significantly better than expected. The result was lifted by substantial run-off gains, which improved the combined ratio by 7.9 percentage points.

Apart from a single major weather-related incident in December 2016, the year was characterised by a very low level of weather-related claims, resulting in a DKK 109 million decline in weather-related claims expenses relative to 2015. Major claims expenses, on the other hand, increased by DKK 115 million relative to 2015. In particular, the commercial customer segment was hit by fewer but considerably more expensive major claims than expected. Although the level increased from 2015 to 2016, the underlying claims experience was in line with the target.

Premiums fell by 0.7%, being affected by the increasingly competitive market. However, the retention rate improved once more and remains high in both the private customer segment and the commercial customer segment.

Results 2016

Income by business area

INVESTMENTS ETC.

532

DKKm

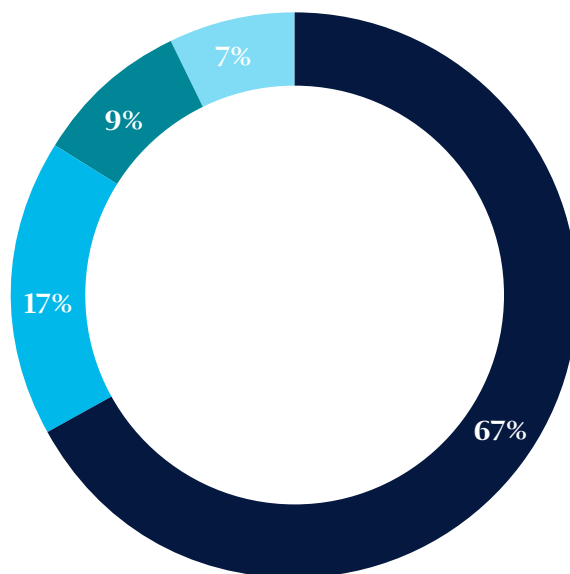
▼5.3%

BANKING

653

DKKm

▼1.4%



NON-LIFE INSURANCE

5,028

DKKm

▼0.7%

LIFE AND PENSION

1,281

DKKm

▼2.2%

Profit before tax, forward-looking activities

DKKm

1,200

1,000

800

600

400

200

0

2012

2013

2014

2015

2016

Earnings per share

DKKm

5

4

3

2

1

0

2012

2013

2014

2015

2016

Total income

7,494

DKKm

Profit

1,033

DKKm

Return on equity

20.2%

before tax

Earnings per share

5.0

DKK

The expense ratio was 16.9. Costs for the year came out slightly above the expected level due to the launch of activities related to the new strategy. Moreover, a new collective agreement with insurance agents resulted in higher acquisition costs.

Life and Pension

Life insurance and pension activities generated a satisfactory profit of DKK 84 million before tax.

Regular payments into guaranteed schemes were up by 1.7%, whereas single payments declined by 6.2%. However, the level of single payments remains high. Payments into market rate schemes fell by 22.9% due to the combination of an extraordinarily high level in 2015 and the fact that customers increasingly preferred guaranteed products in 2016. Total payments into pension schemes fell by 7.4% to DKK 1,612 million.

Overall, the technical result was satisfactory. The expense result was adversely affected by higher costs related to a number of growth-promoting initiatives. The investment return was highly satisfactory considering the persistently challenging investment environment.

The collective bonus potential increased by DKK 168 million to DKK 1,317 million in 2016. The bonus rate came out at a highly satisfactory 20.1% including the individual bonus potentials.

The rate on policyholders' savings for 2017 remains at 4.00% for new customers and continues to be among the best rates offered in the market.

Banking

The bank reported an overall profit in 2016, the first since 2007. The profit before tax was DKK 44 million, up by DKK 375 million on 2015. The bank's overall performance was better than expected, and developments in the banking activities are considered to be satisfactory.

Forward-looking activities

The bank's forward-looking activities generated a profit of DKK 62 million, marking a DKK 44 million improvement on 2015. The performance was better than expected, being lifted by reversed impairment writedowns on private customers, better returns on the bank's investment activities and stronger leasing activity growth.

The number of *Pluskunder*, who use Alm. Brand Bank as their main banker, continued the strong trend, increasing by 11% in 2016. In addition, both the number of customers and the volume of business in Financial Markets and Leasing grew.

Total net loans and advances to private customers increased by approximately DKK 140 million, or 5%, in 2016 to stand at DKK 2.7 billion at 31 December 2016.

The portfolio of Totalkredit loans for which the bank acted as intermediary reported significant growth, increasing by more than DKK 1.1 billion, or 18%, to stand at DKK 7.4 billion at 31 December 2016.

The bank had deposits of DKK 7.2 billion at 31 December 2016, against DKK 8.1 billion at 31 December 2015. The bank maintains its strategy of reducing both fixed-rate and floating-rate deposits.

Winding-up activities

The bank's winding-up activities reported a pre-tax loss of DKK 18 million. This was better than expected and marked a significant improvement relative to 2015.

Impairment writedowns were DKK 250 million lower at DKK 56 million, driven by a strongly reduced level of impairment writedowns on mortgage deeds and agricultural exposures.

Total loans and advances in the winding-up portfolio declined by DKK 375 million to DKK 942 million in 2016 to represent 25% of the bank's overall lending portfolio. Adjusted for losses and writedowns, the lending portfolio was reduced by DKK 363 million, which was significantly better than expected.

Major events

Share buyback

On 2 December 2015, Alm. Brand launched a share buyback programme to expire at the end of 2016. In connection with the release of the 2015 financial statements, the programme was extended to end-February 2017 and at the same time increased by DKK 100 million, resulting in a total share buyback of up to DKK 400 million during the period.

The principal shareholder, Alm. Brand af 1792 fmba, participated proportionately in the programme, thereby maintaining its current ownership interest.

A new share buyback programme for up to DKK 300 million will be initiated for the 2017 financial year. This programme is expected to run until end-March 2018. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

The FOKUS CRM system

In 2015, Alm. Brand decided to invest in a new CRM system, FOKUS, to be provided by Salesforce.

The new CRM system will make it possible to collect, coordinate and use customer data in one combined IT solution, thereby ensuring that the group's customers receive optimum service within and across the fields of insurance, banking and pension.

The goal is for Alm. Brand to retain existing customers and attract more customers by providing even better individual advice and service at a pace and of a quality second to none in the Danish market. The CRM system supports the group's continued focus on customer relations by adapting advisory services even better to each customer's individual needs.

Moreover, Alm. Brand will be able to provide full-range advisory services to customers pooling all of their financial products with Alm. Brand. The new CRM system was put into operation in 2016 and is expected to be fully implemented throughout the group in 2017.

Customer service

Alm. Brand's CUSTOMERS FIRST strategy has gradually evolved since 2012. The strategy ensures, among other things, that customers get supreme service. The work to optimise customer service has exceeded expectations. Over the past few years, the group's customer satisfaction rates have increased significantly, and the most recent customer satisfaction surveys, conducted in the fourth quarter, showed that the NPS more than doubled to 42 during the period, reflecting very high customer satisfaction.

Implementation of Solvency II

Solvency II entered into force on 1 January 2016, introducing a number of new requirements as to financial reporting and data reporting to the authorities as well as requirements of key functions, etc.

Events after the balance sheet date

Repayment of additional tier 1 capital and new subordinated loan issued

On 31 January 2017, the bank repaid the additional tier 1 capital of DKK 175 million, which was no longer eligible for inclusion in the bank's total capital. In that connection, the bank was delisted from Nasdaq Copenhagen. Instead, an agreement was made for a subordinated loan of DKK 175 million from Alm. Brand af 1792 fmba. The subordinated loan will have a 10-year maturity with an option for Alm. Brand Bank to terminate the loan after five years and will carry interest at the rate of 5.25% p.a. plus CIBOR 6.

Group CFO resigns

Group CFO Anne Mette Barfod will resign her position with the Alm. Brand Group effective 31 May 2017 to take on a similar position with the Danish Refugee Council.

Introducing a whole new *customer experience*

Closing the book on 2016, we are proud to note the extremely strong performances of the group's activities. The end of the year also marked the conclusion of the latest strategy period in which we achieved almost all of our goals.

20%

Return on equity before tax

The group has a target of delivering a return on equity before tax of 10%.

We are pleased to report a profit that significantly exceeded expectations and outperformed last year's performance. Non-life Insurance and Life and Pension performed well, generating strong results, and Banking reported a significantly improved performance and is now back in the black.

Indeed, 2016 was by no means an ordinary year. First of all, Non-life Insurance benefitted from very high run-off gains and an unusually low level of expenses for weather-related claims. Moreover, the bank's winding-up activities produced significantly better results than we had expected. These extraordinary circumstances combined to secure one of the group's strongest performances since its inception 225 years ago.

Inflow of non-life insurance customers and growth in banking

Our non-life insurance activities generated better results than last year, supported by customer inflows and a retention of market share in an extremely competitive market. We seek to improve and simplify our product and service offering on an ongoing basis and, in combination with our ongoing efforts to create good customer experiences, this contributed to sustaining growth in customer satisfaction and increasing customer loyalty, both of which are essential to our long-term value creation.

The bank's forward-looking activities developed favourably, reporting growth in private customer activities, increased lending and – not least – 1,500 new *Pluskunder* in 2016. Accordingly, the number *Pluskunder* in the bank has almost doubled since the beginning of the strategy period. The current state of the fixed-income markets is making it difficult to identify profitable investment venues for the bank's considerable excess liquidity, and this is a challenge to our earnings. On the other hand, the bank's Leasing and Financial Markets activities helped to lift our banking results.

The winding-up activities outperformed expectations, and the loans provided in this respect were reduced further to stand at less than DKK 1 billion at 31 December. Although the portfolio still contains some challenging exposures, we have a firm grip on the risk involved, and we do not expect these loans to have any significant impact on the group's results going forward.

Life and Pension's results were more or less in line with expectations, generating a fair-sized return on invested funds and securing a rate on policyholders' savings of 4% and a bonus rate of just over 20%, both of which must be considered highly satisfactory given the current market conditions. Growth in regular payments into guaranteed schemes fell slightly short of expectations.



JØRGEN HESSELBJERG MIKKELSEN
CHAIRMAN

SØREN BOE MORTENSEN
CHIEF EXECUTIVE OFFICER

Attractive value creation for our shareholders

Overall, we can look back on a highly satisfactory year in which we generated a return on equity before tax of 20% and earnings per share of DKK 5. In line with the group's dividend policy, the Board of Directors therefore recommends payment of an ordinary dividend for the year of DKK 1.50 and an extraordinary dividend of DKK 3.50.

Moreover, the Board of Directors recommends launching a new share buyback programme for up to DKK 300 million in 2017.

Achievement of strategic goals

In 2016, we also successfully achieved more or less all of the goals defined for the CUSTOMERS FIRST strategy in 2012. We strengthened and digitalised a number of the group's internal and external processes to make them more efficient, and we invested in new customer service systems. These efforts have had a direct influence on customer satisfaction, which has doubled over the strategy period. Moreover, we are convinced that the high level of customer satisfaction is linked directly to our very high and growing employee satisfaction.

We also achieved the more hard financial targets. Our basic earnings have recovered to a solid level, and our shareholders have received fair-sized returns. On the other hand, we failed to fully achieve our growth targets, reflecting that the markets in which we operate have increasingly become more competitive.

Alm. Brand for the Customer – Strategy 2022

Our new strategy – **Alm. Brand for the Customer** – builds on the results we achieved from our previous strategy, and with it we intend to take the customer experience to a completely new level.

Alm. Brand wants to make it easy to have all financial needs taken care of by one provider only, and we will make it our pledge to continually offer our customers a top of the line solution tailored specifically to their individual needs and situation. Further digitalisation will enable customers to seek information themselves, get an overview and use self-service options if they prefer.

The group has already come a long way with integrated digital systems and a strong IT platform. Over the next couple of years, we will invest even more to develop our digital customer interface solutions, allowing us to meet all of our customers' financial needs – wherever and whenever they prefer.

With the three business areas of Alm. Brand firmly anchored under one roof, the group is uniquely positioned to find optimum solutions for its customers without being confined by organisational differences or preferences. At the same time, we want to maintain our competitive price structure and strong product and service offerings, ensuring that, in this respect as well, our customers get the very best solutions available in the market.

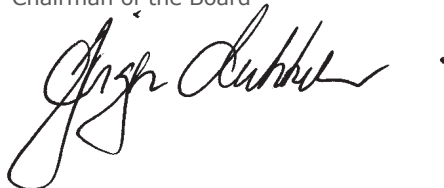
A unique position

We are confident that the new strategy will place Alm. Brand in a position in which we can provide a unique customer experience, while at the same time strengthening our market position.

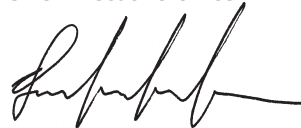
To this end, we will work to strengthen our position even further in 2017 in order that we may achieve our goals. This requires additional investment, which will impact our expense ratio in the short term, but which is essential to achieving long-term attractive value creation.

We will make a concerted effort throughout the group to fulfil our pledge to create a whole new customer experience. We are confident that the dedication and enthusiasm of our employees will take us all the way to the finish line – by 2022 at the latest.

Jørgen Hesselbjerg Mikkelsen
Chairman of the Board



Søren Boe Mortensen
Chief Executive Officer



5-year highlights

| | DKKm | 2016 | Q4 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|
| GROUP | Income | | | | | | |
| | Non-life Insurance | 5,028 | 1,269 | 5,061 | 5,058 | 5,031 | 4,866 |
| | Life and Pension | 1,281 | 357 | 1,311 | 1,243 | 928 | 903 |
| | Banking | 653 | 167 | 662 | 744 | 791 | 903 |
| | Investment etc. | 532 | 121 | 562 | 593 | 570 | 675 |
| | Total income | 7,494 | 1,914 | 7,596 | 7,638 | 7,320 | 7,347 |
| | Profit/loss excluding minority interests | | | | | | |
| | Non-life Insurance | 967 | 231 | 952 | 651 | 763 | 853 |
| | Life and Pension | 84 | 6 | 79 | 78 | 86 | 90 |
| | Banking, forward-looking activities | 62 | 15 | 18 | 61 | -90 | -47 |
| | Other activities | -62 | -21 | -55 | -53 | -28 | -36 |
| | Profit/loss before tax, forward-looking activities | 1,051 | 231 | 994 | 737 | 731 | 860 |
| | Banking, winding-up activities | -18 | -15 | -349 | -336 | -379 | -472 |
| | Profit/loss before tax | 1,033 | 216 | 645 | 401 | 352 | 388 |
| | Tax | -207 | -34 | -121 | -53 | -159 | -94 |
| | Profit/loss after tax | 826 | 182 | 524 | 348 | 193 | 294 |
| | Consolidated profit/loss | | | | | | |
| | Consolidated profit/loss before tax | 1,033 | 216 | 645 | 409 | 372 | 419 |
| | Tax | -207 | -34 | -121 | -53 | -159 | -94 |
| | Consolidated profit/loss after tax | 826 | 182 | 524 | 356 | 213 | 325 |
| | Total provisions for insurance contracts | 20,092 | 20,092 | 19,427 | 19,449 | 18,627 | 19,678 |
| | Consolidated equity | 5,200 | 5,200 | 5,165 | 4,847 | 4,676 | 4,500 |
| | Share attributable to minority interests | - | - | - | - | 153 | 137 |
| | Total assets | 34,859 | 34,859 | 35,081 | 39,078 | 39,580 | 42,559 |
| | Average no. of employees | 1,572 | 1,572 | 1,557 | 1,590 | 1,585 | 1,592 |
| | Return on equity before tax (%) | 20.2 | 16.8 | 12.9 | 8.6 | 8.0 | 9.2 |
| | Return on equity after tax (%) | 16.2 | 14.1 | 10.4 | 7.4 | 4.4 | 7.0 |
| PARENT COMPANY | Profit/loss before tax | 811 | 176 | 511 | 335 | 188 | 273 |
| | Tax | 15 | 6 | 13 | 13 | 5 | 11 |
| | Profit/loss for the year | 826 | 182 | 524 | 348 | 193 | 284 |
| | Total assets | 5,508 | 5,508 | 5,481 | 5,172 | 4,874 | 4,711 |
| | Total investment assets | 5,428 | 5,428 | 5,411 | 5,081 | 4,772 | 4,623 |
| | Share capital | 1,735 | 1,735 | 1,735 | 1,735 | 1,735 | 1,735 |
| | Shareholders' equity | 5,200 | 5,200 | 5,165 | 4,847 | 4,523 | 4,363 |
| | Payables | 29 | 29 | 39 | 50 | 61 | 52 |
| | Return on equity before tax* (%) | 20.2 | 16.8 | 12.9 | 8.6 | 7.9 | 8.9 |
| | Return on equity after tax (%) | 16.2 | 14.1 | 10.4 | 7.4 | 4.3 | 6.7 |
| FINANCIAL RATIOS | Earnings per share | 5.0 | 1.1 | 3.1 | 2.0 | 1.1 | 1.7 |
| | Diluted earnings per share | 4.9 | 1.1 | 3.1 | 2.0 | 1.1 | 1.7 |
| | Net asset value per share | 31 | 31 | 30 | 28 | 27 | 25 |
| | Share price, end of period | 54.0 | 54.0 | 48.4 | 32.7 | 24.1 | 14.0 |
| | Price/NAV | 1.73 | 1.73 | 1.60 | 1.17 | 0.91 | 0.55 |
| | Average no. of shares (in thousands) | 165,839 | 164,194 | 169,236 | 170,194 | 171,587 | 173,123 |
| | No. of shares at end of period, diluted (in thousands) | 166,218 | 166,218 | 172,509 | 173,002 | 170,655 | 172,790 |
| | Average no. of shares, diluted (in thousands) | 169,321 | 167,057 | 173,007 | 173,311 | 171,587 | 173,123 |
| | Dividend per share** | 1.5 | 1.5 | 1.5 | 0.5 | - | - |
| | Dividend per share, extraordinary*** | 3.5 | 3.5 | 1.5 | - | - | - |
| | No. of shares bought back (in thousands) | 6,472 | 1,694 | 574 | - | - | - |
| | Avg. price of shares bought back, DKK | 47.7 | 51.7 | 46.7 | - | - | - |
| | Total payout ratio | 3.7 | 1.0 | 0.3 | - | - | - |

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

** Proposed dividend for the financial year.

*** Proposed extraordinary dividend for the financial year.

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

Outlook for 2017

Expectations are for an overall pre-tax profit of DKK 450-550 million.

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

The group's forward-looking activities are expected to generate profit of DKK 450-550 million before tax, while break-even is expected for the winding-up activities.

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2017. The group has a substantial portfolio of investment assets, and the low level of interest rates is affecting all of the group's business areas.

The profit forecast for 2017 is impacted by investments in the new strategy. Investments have been recognised under each individual business area.

Non-life Insurance

The group's non-life operations are expected to generate pre-tax profit of DKK 475 million in 2017.

The earnings level is expected to normalise in 2017, following an extraordinary performance with high run-off gains in 2016. For 2017 as a whole, premium income is expected to grow by around 1%.

The combined ratio is expected to be about 91-92. This level is based on expectations of an underlying combined ratio of about 80.

The expense ratio is expected to be at the level of 17%, being impacted by investment relating to the new strategy.

Outlook

| DKKm | 2017 |
|-------------------------------------|----------------|
| Expected consolidated profit | 450-550 |
| Forward-looking activities | 450-550 |
| Non-life Insurance | 475 |
| Life and Pension | 70 |
| Banking | 25 |
| Other activities | -60 |
| Winding-up activities | 0 |

Life and Pension

The company expects to generate pre-tax profit of about DKK 70 million in 2017. The return on investment assets allocated to equity is expected to detract from the performance as a result of financial market conditions.

Growth in regular premiums is expected to be at the level of 4% in 2017.

Banking

The forward-looking activities are expected to generate pre-tax profit of about DKK 25 million in 2017.

The outlook for the bank is supported by growth in Leasing and Financial Markets activities. After a year of turbulence in the financial markets in 2016, normal returns are expected for 2017. Moreover, the outlook is impacted by investment relating to the new strategy.

Private customers is expected to grow at the rate of about 6% in 2017.

Other activities

Other activities, comprising costs and interest related to the parent company Alm. Brand A/S, are expected to be an expense of DKK 60 million in 2017.

Winding-up activities

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

The bank's winding-up portfolio is expected to be reduced by some DKK 200 million in 2017. However, developments in the agricultural sector remain subject to significant uncertainty, and a deterioration of conditions in the agricultural sector could have an adverse effect on the outlook.

Combined ratio

91-92

Expected combined ratio in Non-life Insurance.

Growth in Life and Pension

4%

Expected growth in regular premiums in Life and Pension.

Growth in lending

6%

Expected growth in lending to private customers.

CUSTOMERS FIRST strategy *successfully completed*

In September 2012, the group launched a strategy for the period 2013 to 2016 – CUSTOMERS FIRST – which aimed for satisfied and loyal customers and strong results by providing high quality, efficiency, competent employees and exceptionally good customer service.

Alm. Brand's NPS more than doubled over the period, increasing from the initial score of 18 to 42 at the end of the strategy period.

Customer satisfaction

The CUSTOMERS FIRST strategy focused on customer experience, and throughout the strategy period, Alm. Brand's employees have delivered significantly improved customer experiences. Alm. Brand's NPS (Net Promoter Score), which measures customer satisfaction, more than doubled over the period, increasing from the initial score of 18 to 42 at the end of the strategy period. This is well beyond the NPS target of 30. Improvements were seen in all three business areas, which is key, as Alm. Brand wants to ensure that customers get a consistent and high level of service in all three business areas.

The group also had a goal of increasing digitalisation to ensure simple and efficient customer interface processes. Today, nine in ten private insurance customers have gone digital, which means that they receive mail from Alm. Brand online, and more and more customers are reporting their claims online. The digitalisation efforts have also made it much more simple for customers to use the bank's facilities. The goal of making 33% of the group's customer interface processes digital was achieved.

Another goal was to lift quality across the group. By improving communications, increasing the dialogue with customers and implementing a "four eyes" principle in all problematic cases, the group successfully reduced the number of complaints filed with the Danish Insurance Complaints Board to 68 in 2016 from almost 200 in 2012.

In addition, the group had a goal of increasing employee satisfaction as a stepping stone to increasing customer satisfaction with the group. The target was 78, but the group achieved an employee satisfaction of 81 in 2016, an absolute top performance in the industry.

Efficiency was also a key priority, and the group had a goal of maintaining its cost level. This was more or less achieved, but since the top line of Non-life Insurance was under pressure from mounting competition and falling prices, the expense ratio of Non-life Insurance was nonetheless under upward pressure.

Improved earnings

Alm. Brand had defined a target for the strategy period of delivering an attractive return on equity of 10% plus the money market rate.

In the period from 2012 until 2015, the return on equity was relatively stable at just under 10%, increasing to close to 13% in 2015 and 20% in 2016. Accordingly, the target was met by quite a wide margin.

Strategy 2022

- Alm. Brand for the Customer

Alm. Brand for the Customer defines the group's strategy for the period until 2022. The overall goal is to create a whole new experience for the group's customers. This will enable Alm. Brand to take care of the full range of our customers' financial needs in all three business areas, to be proactive in our advisory service offerings and to offer our customers top of the line solutions tailored specifically to their individual needs and situation.

The goal is to be able to serve customers wherever and whenever they need it and to give them an overall view of all of their business, providing advice and solutions either through their personal Alm. Brand adviser or through our strong offering of digital self-service options.

Based on the group's unique market position and business model combining banking, insurance and pension services within a single organisation, Alm. Brand intends to further develop the ambition of offering the market's premier customer experience and becoming the preferred financial partner for multiple-service customers.

Strategic goals

Building on the significant results achieved in the last strategy period, Alm. Brand has defined a number of new goals for the period until 2022:

Very satisfied customers

The activities and investments envisioned for the next couple of years will be directed at creating unique customer experiences which are perceived by customers as being value creating and simple. The intention is to increase customer satisfaction – as measured using the NPS method – from 42 today to 60.

High work enjoyment

High work enjoyment and employee satisfaction are key to making customers feel welcome and providing a unique experience for customers every time they interact with our company. Alm. Brand already has a very high employee satisfaction rate and ranks among the best in the industry. As the target rate is 80, the group aims to maintain its high satisfaction rate, even with the major changes the employees will be facing over the course of the strategy period.

More multiple-service customers

In order to be able to provide the right advisory services and products and cater to all aspects of a customer's financial needs at any given time, it is essential that customers place their business in more than one of the group's business areas. The goal is therefore to increase the number

of customers doing business with more than one of Alm. Brand's business areas from 40,000 today to 60,000.

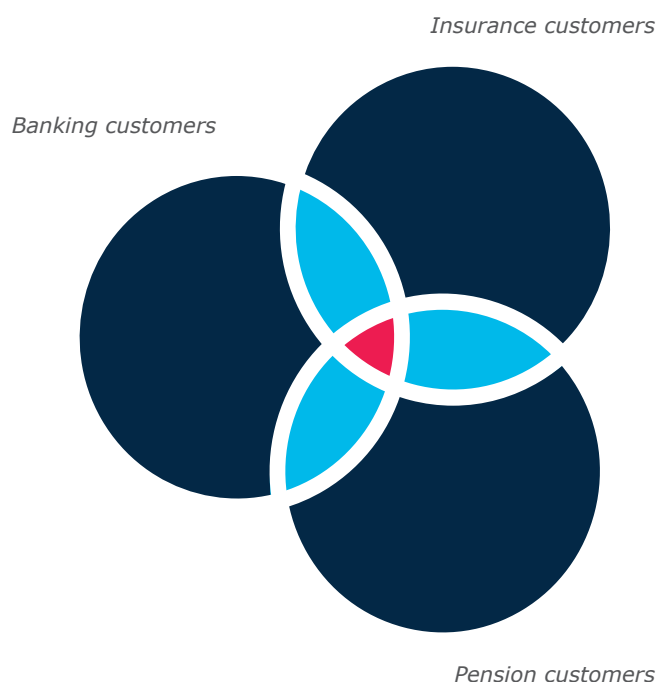
Sustained growth

Not only multiple-service customers but all Alm. Brand customers should have an exceptional customer experience. Supported by this vision, the group aims to grow its business revenue by 4% on average throughout the strategy period.

Growth in Non-life Insurance is to be secured by attracting more new customers through annual indexation, increased loyalty and unique customer experiences. The goal is for the company to grow at an annual rate of 2-3% and as a minimum to maintain its market share of around 10%.

The achievement of the overall growth target will be driven predominantly by an increased inflow of customers to the forward-looking activities of the bank and to the Life and Pension activities. Increased volume will generate critical mass in the two business areas, thereby ensuring value creation in all three business areas of the group. The goal is for the bank to grow at the same rate as in 2016, that is, by just over 10% annually. Moreover, the plan is for Life and Pension to double its current growth rate, equivalent to 7-8% annually.

Multiple-service customers



Attractive return on equity

Focus on creating good customer experiences and attractive growth over the next couple of years is also intended to translate into a higher return to Alm. Brand's shareholders. Therefore, the target for the group's return on equity is raised to 12.5% before tax from previously 10%.

The strategic investments are expected to increase the cost level in the next few years, but later on they will translate into higher earnings driven by increased customer satisfaction and loyalty, growth in the share of multiple-service customers and improved service delivery efficiency. The investments already started to feed through to costs in 2016 and will amount to almost DKK 100 million in 2017.

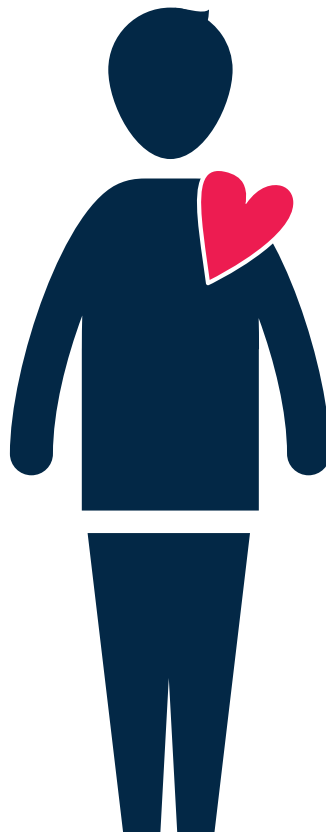
Strategic activities

The group wants to refine and strengthen its position in the market as the preferred provider of full-range financial services. Through increased visibility, effective communication and targeted marketing, the group wants to be known as a one-stop financial services provider offering its customers a complete range of advisory services tuned to their specific financial needs.

The group aims to create consistent customer experiences across all three business areas. This is to be achieved by tailoring products and services to the customers who would benefit the most from pooling all of their financial needs with one service provider, thereby creating a whole new customer experience tailored to each individual customer. This is expected to accelerate growth in the number of multiple-service customers.

In addition, the group will further develop its already strong IT platform. Innovation and digitalisation will create new solutions tailored to and developed together with customers. The increasing range of technological options will enable the group to take its customer service to a completely new level. Alm. Brand aims to leverage this by ensuring that both customers and the group's advisers have a powerful range of advisory and information tools at their disposal.

Each strategic focus area will be driven by a separate organisational strategy centre with dedicated resources, well-defined goals and continuous management reporting.



Non-life Insurance

Non-life Insurance is the group's core business, exclusively targeting the Danish market with a special focus on private customers, small and medium-sized enterprises, property owners and administrators, agricultural customers and the public sector.

Financial ratios

Gross premiums **5,028**
DKKm

Combined ratio **82.2**

Profit before tax **967**
DKKm

Denmark's 4th largest insurer



300,000

Private customers
(approx. 200,000 Pluskunder)



100,000

Commercial and agricultural customers



9.9 %

Market share



Private customers

Commercial and agricultural customers

47%

53%

9%

75%

16%



30%

of total sales

Customer service centres

Provide advisory services to private customers from five regional service centres. Commercial and agricultural customers receive advisory services from two centralised service centres.



63%

of total sales

Insurance agents

Provide advisory services locally from either sales centres or regional offices. New sales are supported by telemarketing departments in five regions.



7%

of total sales

Brokers

Supported by a centralised department responsible for preparing quotations and serving brokers.

Non-life Insurance

Highly satisfactory pre-tax profit of DKK 967 million.

Alm. Brand is continuously working to develop new products and adjust existing products.

Market

According to the Danish Insurance Association's official statistics, the overall Danish market for direct insurance grew by 1.0% from Q3 2015 to Q3 2016.

Alm. Brand's market share was 9.9% at 30 September 2016, which was 0.2 of a percentage point lower than at the year-earlier date. Growth in the overall market was driven mainly by health insurances – a market which Alm. Brand has opted not to cover.

Private

The private insurance market excluding motor and personal accident insurances dropped by 0.5%, which roughly corresponds to the decline experienced by Alm. Brand. Alm. Brand thus maintained its market share. In 2016, Alm. Brand saw a minor increase in the market share for building and household comprehensive insurances, which was satisfactory.

Total gross premiums in the motor insurance market were up by 0.6% in the same period. Alm. Brand's market share fell by 0.3% in the period. The lower market share should be seen against the backdrop that Alm. Brand lowered its prices in connection with the launch of a new motor insurance product.

In recent years, both the private insurance market and the motor insurance market have been characterised by fierce competition, especially from medium-sized market players.

The number of new motor car registrations hit peak again in 2016, for the third consecutive year, at 223,000. Micro cars and mini cars continued to dominate new car sales, but sales of bigger cars account for an increasing share of factory-fresh vehicles. Cars in the latter category are typically more expensive to insure than smaller-sized cars.

In December 2016, bankruptcy proceedings were instituted against Husejernes Forsikring, and the agency's former customers are left with change of ownership insurances of no value. If a customer wishes to pool all of his or her insurance products with Alm. Brand, the group will offer the affected homeowners the option of purchasing a new change of ownership insurance for the remaining part of the original period of insurance.

Commercial

The commercial insurance market excluding motor insurances dropped by 0.4%, which roughly corresponds to the decline experienced by Alm. Brand. The group's market share is thus unchanged. In 2016, Alm. Brand lost a major group scheme with a total premium volume of just over DKK 40 million.

Small and medium-sized enterprises

Other than an increase in employment, the market for insurance of small and medium-sized enterprises has not changed to any significant extent in recent years. The Danish business sector continues to be characterised by weak growth, which is also reflected in the commercial insurance market.

The market remained fiercely competitive in 2016. Insurers accept writing business at lower premiums than they did previously in order to attract new customers. There is a general trend that international insurers are focusing increasingly on the Danish commercial insurance market, making the market even more competitive.

In particular, competition in the field of workers' compensation insurance has been tough for a long time. Price is often the key determinant when customers choose where to place their business and, as opposed to previously, workers' compensation insurance is increasingly being placed separately from other insurance products.

In recent years, the major insurance brokers have focused increasingly on offering standardised insurance terms, making the insurance premium the key competitive parameter for customers in this segment. The trend towards standardised insurance terms may cause market shares to shift over the next few years. Alm. Brand does not wish to compromise either on profitability or on insurance terms and remains focused on offering customers advice tailored to their specific needs and individual product solutions with respect to both price and terms.

Agriculture

Alm. Brand is a leading insurance provider to Danish agriculture with an estimated market share of more than 30%.

Premium income from the agricultural sector has declined in recent years, among other things due to the trend towards larger but fewer farms. The number of producing farms is strongly declining and has been for many years. However, the farm buildings remain and are taken over by customers whose insurance needs and service expectations are in many ways similar to those of private customers.

For a number of years, Alm. Brand has worked with individual farmers on claims prevention, including ensuring an ongoing dialogue with the farmers with a view to eliminating potential fire hazards and reducing the risk of theft.

Product development

Alm. Brand is continuously working to develop new products and adjust existing products in order to offer its customers special benefits. Alm. Brand increasingly involves existing and prospective customers in the work to shape its products.

New motor insurance

In mid-February 2016, Alm. Brand launched new motor insurance products for its private, agricultural and commercial customers. The products are based on three different basic covers: Liability insurance combined with full comprehensive motor insurance; liability insurance combined with partial comprehensive motor insurance (intended for older cars); and liability insurance only.

All three basic covers may be combined with a variety of supplementary covers, including cover of mechanical

damage or parking damage or cover of costs in connection with the return of a leased vehicle, allowing the insurance to be tailored specifically to the needs of each individual customer. The new products ensure that Alm. Brand has an attractive offering for all customer segments in the motor insurance market.

New liability, heavy vehicle and goods in transit insurance products

In November 2016, Alm. Brand launched three new products directed at its commercial and agricultural customers: a new liability insurance, a heavy vehicle insurance and a goods in transit insurance.

Supported by the new products, Alm. Brand is able to offer its customers improved advice and cover, and also the procedures for writing new business for commercial and agricultural customers have been simplified.

The products have been expanded by several completely new insurance covers and more flexible options, and a number of covers have been extended to automatically cover a wide variety of circumstances that previously required individual clauses. This makes the new covers simpler for customers to understand.

For example, the heavy vehicle product is based on a mileage tariff for which the price depends on the expected number of kilometres driven. Alm. Brand is one of the few companies offering this flexible option. Moreover, the liability insurance product has been improved to offer a new component and ingredient cover for dairy farmers.

Together, these product and process enhancements enable Alm. Brand to write more and larger business commitments than before.

New insurances for road carriers

Alm. Brand aims to be an attractive partner to the road carrier segment, and for that purpose the group launched a new road carrier's liability product for the commercial market in May 2016. The product, which covers liability in connection with cargo-transporting lorries, is in many ways unique in the market in that it also covers liability in connection with storage and assignment of carriage jobs to other road carriers.

New insurance protecting favourite items

Alm. Brand is making targeted efforts in the field of innovation and investigates whether customers would be interested in new products/initiatives, among other things to cultivate markets that may seem underserved today. As part of these efforts, Alm. Brand has a new product, "Favourites", in the pipeline, which is mainly directed at young people and people who possess relatively few valuables. The product will consist of a basic cover comprising liability, legal aid and re-housing. Beyond the basic cover, the product will be flexible so that each individual customer may adjust the period of insurance and the scope of cover as needed. The product is expected to be ready for the market in the first half of 2017.

Performance

The group's non-life insurance activities generated pre-tax profit of DKK 967 million in 2016 (2015: DKK 952 million). The performance was highly satisfactory and better than expected. The performance resulted in a return on equity of 39% before tax (2015: 38%).

The technical result was DKK 896 million (2015: DKK 991 million), equivalent to a combined ratio of 82.2 (2015: 80.4). The result includes significant run-off gains of DKK 446 million. Adjusted for these, the combined ratio was 90.2, against an expected normal level of 91-92.

The underlying combined ratio was 80.2, which was in line with expectations, as the target is about 80. The level increased from 2015 to 2016, mainly due to higher costs and lower average premiums.

Premiums

Gross premiums declined by 0.7% to DKK 5,028 million in 2016, which was just below the expected level. The declining premium income was due to intensified competition. The number of policies increased by 1.4% in 2016, while average premiums trended slightly downward. The retention rate remains high in both private and commercial lines, and both segments experienced an upward trend throughout the year.

Premiums



- 23% Fire & property, Private
- 25% Fire & property, Commercial
- 26% Motor insurance
- 7% Workers' compensation
- 12% Health and personal accident
- 7% Other insurance

Combined ratio

| | 2016 | 2015 | 2014* | 2013* |
|--|-------------|-------------|-------------|-------------|
| Combined ratio, underlying business | 80.2 | 78.9 | 77.0 | 78.8 |
| Weather-related claims, net of reinsurance | 2.2 | 4.4 | 4.2 | 3.7 |
| Major claims, net of reinsurance | 7.6 | 5.3 | 5.8 | 7.2 |
| Reinstatement premium | -0.1 | 0.3 | 1.1 | 1.8 |
| Run-off result, claims | -7.9 | -8.5 | -2.6 | -4.1 |
| Change in risk margin, run-off result and current year | 0.2 | 0.0 | - | - |
| Combined ratio | 82.2 | 80.4 | 85.5 | 87.4 |

* Figures for 2013 and 2014 have not been restated to reflect the new financial reporting rules.

Claims experience

The claims experience (gross claims ratio plus net reinsurance ratio) was 65.3% (2015: 64.5%). Excluding run-off gains, the claims experience was 73.3%, which was 0.1 of a percentage point higher than in 2015. The claims experience was in line with expectations.

Weather-related claims

The level of weather-related claims expenses was very low in 2016. However, Denmark was hit by a single major weather-related incident in 2016: On 26 December, the windstorm Urd hit mainly the western and northern parts of Jutland where the fastest mean wind speeds and strongest gusts were recorded.

Although Alm. Brand's reinsurance programmes cover a significant part of the risk related to major weather-related incidents, they are not expected to cover claims in connection with Urd, as the total claims expense is not expected to exceed the retention under the reinsurance cover. At the end of the year, Alm. Brand had received some 1,100 claims and expects an ultimate expense from this event of DKK 35-40 million.

Weather-related claims expenses net of reinsurance amounted to DKK 112 million in total (2015: DKK 221 million), affecting the combined ratio by 2.2 percentage points, or below the normal level of 3-4%.

Major claims

Net of reinsurance, major claims totalled DKK 384 million, which was DKK 115 million more than in 2015. Major claims affected the combined ratio by 7.6 percentage points, which was on a par with the expected normal range of 7-8%. In particular, the commercial customer segment saw fewer but considerably more expensive major claims than expected.

82.2

Combined ratio

Lifted by run-off gains and few expenses for weather-related claims.

Underlying business

The underlying claims ratio was 63.3 in 2016, an increase of 0.6 of a percentage point relative to 2015. The increase was due to a higher claims frequency, which, however, was partly offset by a decline in average claims. Moreover, a part of the increase was attributable to declining average premiums.

The interest rate used for the discounting of provisions declined further in the first nine months of 2016 to a historically low level. The interest rate subsequently increased in the fourth quarter. Overall, interest rate developments increased the claims experience by 0.3 of a percentage point.

Run-off result

Significant run-off gains net of reinsurance of DKK 446 million were recorded in 2016 (2015: DKK 485 million). In 2016, run-off gains mainly derived from the personal insurance lines workers' compensation, motor liability and personal accident insurance. Among other things, the run-off result was attributable to an adjustment of the provisioning models. In addition, the risk margin contributed a run-off gain of DKK 48 million in 2016.

Costs

Total costs amounted to DKK 851 million in 2016 (2015: DKK 807 million), equivalent to an expense ratio of 16.9. Costs for the year came out above the expected level due to the launch of new strategy activities. Moreover, a new collective agreement with insurance agents resulted in higher acquisition costs. The expense ratio was 1.0 percentage point higher than in 2015.

Net reinsurance ratio

The net reinsurance ratio for the year was 4.9, which was unchanged from 2015 (an expense in both years). The company does not expect to receive any compensation under the reinsurance covers for windstorms and precipitation in 2016, but has received compensation in connection with several major fire claims.

Investment result

After transfer to the technical result, the investment result was a gain of DKK 71 million in 2016, against a loss of DKK 39 million in 2015. Before transfer to the technical result

and costs, the investment result was a gain of DKK 207 million (2015: DKK 46 million loss). The investment result was satisfactory.

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

The bond portfolio is placed in Danish government bonds and mortgage bonds, European corporate bonds and derivative financial instruments. Government bonds and mortgage bonds predominantly have the highest rating possible, while corporate bonds are in the investment grade segment and hence have a rating of at least BBB-/Baa3.

The return on bonds was lifted by the general decline in interest rates. Danish mortgage bonds performed particularly well, being supported by a change in the interest rate level and a narrowing of the mortgage spread.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve plus a volatility adjustment (VA) premium. The EIOPA yield curve and the VA premium combine to produce a higher interest on technical provisions. The asset portfolio for the hedging of interest rate risk on provisions is composed so as to match fluctuations on provisions occurring in step with market changes in the underlying components of the yield curve. The relatively substantial market fluctuations throughout the year showed that the

Investment return

| DKKm | 2016 | | 2015 | |
|--|------------|-------------|------------|--------------|
| Bonds etc. | 200 | 2.5% | -34 | -0.4% |
| Mortgage deeds etc. | 23 | 1.6% | 14 | 0.8% |
| Equities | 17 | 8.1% | 3 | 2.3% |
| Property | -1 | -5.9% | 1 | 6.5% |
| Total return on investments | 239 | 2.4% | -16 | -0.2% |
| Administrative expenses related to investment activities | -32 | | -30 | |
| Capital gains related to discounting of technical provisions | -96 | | 64 | |
| Interest on technical provisions | -40 | | -57 | |
| Net investment return | 71 | | -39 | |

hedging of provisions reduced the profit/loss fluctuations by a satisfactory margin, producing a combined profit from the hedging portfolio and value adjustments of provisions.

The mortgage deed portfolio includes an option agreement protecting Alm. Brand Forsikring against credit losses, as Alm. Brand Forsikring can sell back mortgage deeds to Alm. Brand Bank if mortgage deed debtors default on their payment obligations. The mortgage deeds produced a favourable and satisfactory return in 2016.

Non-life Insurance has limited exposure to equities, consisting primarily of equity futures on international equity indices and a small proportion of strategic equities that support the business. Global equity markets performed strongly in 2016, with rallies in equity prices in the fourth quarter in particular contributing to the favourable results.

Private

The technical result was a profit of DKK 453 million, equivalent to a combined ratio of 82.6. The performance was highly satisfactory.

Premium income declined by 0.5% to DKK 2,604 million, which was in line with expectations. The number of policies increased in 2016. Mainly personal accident and motor lines reported growth in policy numbers, which was achieved on the basis of slightly lower – but still profitable – average premiums. Competition in private lines is fierce and is particularly prominent within motor insurances, but other lines are also feeling the effects, as terminations tend to involve

entire household insurance packages. The customer retention rate remained high in 2016 despite the competitive market and increased steadily throughout the year.

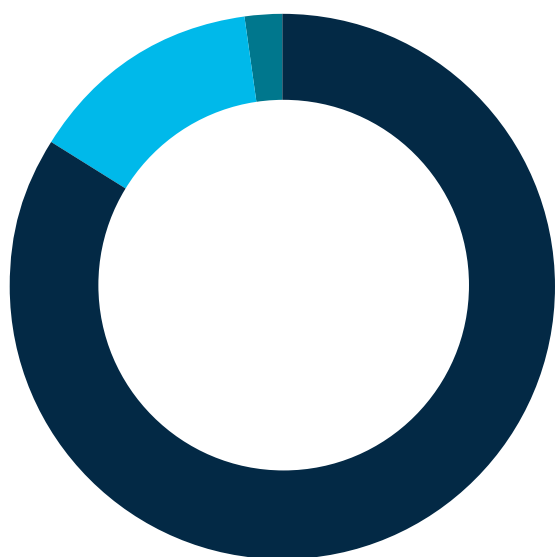
The claims experience excluding run-off gains was 71.5% (2015: 73.6%). The 2016 level was in line with expectations.

Net of reinsurance, total weather-related claims amounted to DKK 46 million (2015: DKK 84 million). Weather-related claims affected the combined ratio by 1.8 percentage points (2015: 3.2 percentage points).

For the year as a whole, major claims expenses net of reinsurance fell to DKK 59 million from DKK 84 million in 2015, impacting the combined ratio for 2016 by 2.3 percentage points (2015: 3.2 percentage points).

The underlying claims ratio was 67.5 in 2016, slightly higher than expected and marking an increase of 1.0 percentage point relative to 2015. The increase was mainly attributable to motor insurance, with the premium reduction resulting in lower average premiums, and the new covers entailing more and smaller claims. In particular, the new parking cover will result in a higher number of claims but lower average claims payouts than other claims involving hull damage. Moreover, the underlying claims ratio was affected by the continuation in 2016 of recent years' declining trend in the number of burglary and theft claims, with Alm. Brand experiencing the lowest level of burglary claims in more than six years.

Investment assets



● 84% bonds ● 14% mortgage deeds ● 2% equities

Private

| DKKm | 2016 | 2015 |
|------------------------------|------------|------------|
| Gross premium income | 2,604 | 2,615 |
| Gross claims expenses | -1,595 | -1,708 |
| Insurance operating expenses | -479 | -462 |
| Profit/loss on reinsurance | -77 | -60 |
| Technical result | 453 | 385 |
| Run-off result | 212 | 174 |
| Gross claims ratio | 61.3 | 65.3 |
| Net reinsurance ratio | 2.9 | 2.3 |
| Claims experience | 64.2 | 67.6 |
| Gross expense ratio | 18.4 | 17.7 |
| Combined ratio | 82.6 | 85.2 |

The run-off result net of reinsurance produced a gain of DKK 212 million (2015: DKK 174 million). The run-off result was mainly driven by gains on motor liability claims and personal accident insurances.

The net reinsurance ratio was 2.9 in 2016, against 2.3 in 2015 (an expense in both years). The slightly lower reinsurance ratio in 2015 was impacted by the windstorm Gorm.

Commercial

The technical result was a profit of DKK 443 million in 2016 (2015: DKK 606 million), equivalent to a combined ratio of 81.7. The 2016 result was highly satisfactory.

Very few weather-related claims and significant run-off gains on personal insurance lines and building insurances lifted the 2016 performance. Fewer, but significantly more expensive fire claims than expected detracted from performance.

Gross premium income fell by 0.9% to DKK 2,424 million in 2016. The customer retention rate remains high and was seen to edge up throughout 2016, which was very satisfactory considering the competitive market.

The claims experience excluding run-off gains was 74.9 (2015: 72.1).

Net of reinsurance, total weather-related claims amounted to DKK 66 million in 2016, corresponding to a claims ratio of 2.7 (2015: 5.6). Accordingly, there were considerably fewer weather-related claims in 2016 than in 2015.

Commercial

| DKKm | 2016 | 2015 |
|------------------------------|------------|------------|
| Gross premium income | 2,424 | 2,446 |
| Gross claims expenses | -1,439 | -1,310 |
| Insurance operating expenses | -372 | -345 |
| Profit/loss on reinsurance | -170 | -185 |
| Technical result | 443 | 606 |
| Run-off result | 234 | 311 |
| Gross claims ratio | 59.4 | 53.6 |
| Net reinsurance ratio | 6.9 | 7.5 |
| Claims experience | 66.3 | 61.1 |
| Gross expense ratio | 15.4 | 14.1 |
| Combined ratio | 81.7 | 75.2 |

Net of reinsurance, major claims totalled DKK 325 million (2015: DKK 185 million). Overall, major claims expenses were significantly above the expected level. Major claims affected the claims ratio by 13.4 points in 2016 (2015: 7.6). In particular, there were more major claims related to commercial buildings in 2016 than in 2015, but in terms of numbers, however, fewer than expected. On the other hand, there were a number of very expensive major claims, three of them amounting to over DKK 20 million each.

The run-off result net of reinsurance produced a gain of DKK 234 million (2015: DKK 311 million). The gains were mainly attributable to workers' compensation insurance.

The underlying claims ratio was 58.7 in 2016, which was slightly better than expected and an increase of 0.1 of a percentage point relative to 2015. In particular, expenses for workers' compensation claims and building and content insurances were lower than expected.

The net reinsurance ratio for the year was 6.9 in 2016, against 7.5 in 2015 (a net expense in both years). The 2016 net reinsurance ratio was affected by the number of large major claims, which when added together meant that Alm. Brand in 2016 received compensation from the company's reinsurance cover against single risks (fire programme) and from the company's reinsurance cover against frequency risks on fire insurance.

Major events

New motor insurance product well received

In February 2016, Alm. Brand launched a new motor insurance product offering new, attractive terms. During the year, all customers received an offer to transition to the new terms, and at the end of the year, half of the insured vehicles had been converted to the new product. The market also responded favourably to the new products, and the launch thus had a positive effect on both customer loyalty and sales – including online sales of motor insurances.

Cases filed with the Insurance Complaints Board

One of the objectives of the CUSTOMERS FIRST strategy was to reduce the number of insurance complaints. Measured against the 197 cases filed with the Insurance Complaints Board in 2011, the goal was to bring the number of insurance complaints below 100. The efforts to reduce the number of complaints have exceeded expectations: By maintaining a strong focus on improving the dialogue with customers and preventing errors, the number of complaints has dropped dramatically. A total of 68 complaints were filed in 2016, marking a reduction of more than 50% relative to 2011 and much better than the strategy target.

Non-life Insurance

| | DKKm | 2016 | Q4 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------------------|---|------------|------------|------------|------------|------------|------------|
| INCOME STATEMENT | Gross premium income | 5,028 | 1,269 | 5,061 | 5,058 | 5,031 | 4,866 |
| | Technical interest | - | - | - | 5 | 9 | 13 |
| | Claims incurred | -3,034 | -774 | -3,018 | -3,579 | -3,769 | -3,180 |
| | Insurance operating expenses | -851 | -229 | -807 | -787 | -803 | -790 |
| | Profit/loss on reinsurance | -247 | -62 | -245 | 47 | 174 | -86 |
| | Technical result | 896 | 204 | 991 | 744 | 642 | 823 |
| | Interest and dividends, etc. | 217 | 51 | 237 | 202 | 233 | 245 |
| | Capital gains and losses | 22 | -69 | -253 | -221 | -24 | -106 |
| | Investment management expenses | -32 | -9 | -30 | -21 | -22 | -23 |
| | Return on and value adjustment of technical provisions | -136 | 54 | 7 | -53 | -66 | -86 |
| | Investment return after return on and value adjustment of technical provisions | 71 | 27 | -39 | -93 | 121 | 30 |
| | Profit/loss before tax | 967 | 231 | 952 | 651 | 763 | 853 |
| | Tax | -204 | -50 | -214 | -161 | -221 | -214 |
| | Profit/loss after tax | 763 | 181 | 738 | 490 | 542 | 639 |
| BALANCE SHEET | Run-off result | 446 | 98 | 485 | 131 | 207 | 235 |
| | Total provisions for insurance contracts | 7,239 | 7,239 | 7,397 | 7,571 | 7,553 | 7,215 |
| | Insurance assets | 170 | 170 | 227 | 298 | 608 | 143 |
| | Total shareholders' equity | 2,587 | 2,587 | 2,750 | 2,423 | 2,184 | 2,441 |
| | Total assets | 10,808 | 10,808 | 11,114 | 10,868 | 10,661 | 10,579 |
| FINANCIAL RATIOS | Gross claims ratio | 60.4 | 61.0 | 59.6 | 70.8 | 74.9 | 65.4 |
| | Net reinsurance ratio | 4.9 | 4.9 | 4.9 | -0.9 | -3.5 | 1.7 |
| | Claims experience | 65.3 | 65.9 | 64.5 | 69.9 | 71.4 | 67.1 |
| | Gross expense ratio | 16.9 | 18.1 | 15.9 | 15.6 | 16.0 | 16.2 |
| | Combined ratio | 82.2 | 84.0 | 80.4 | 85.5 | 87.4 | 83.3 |
| | Operating ratio | 82.2 | 84.0 | 80.4 | 85.3 | 87.3 | 83.1 |
| | Relative run-off result | 8.7 | 8.7 | 8.9 | 2.5 | 4.3 | 4.4 |
| | Return on equity before tax (%) | 38.6 | 37.0 | 38.2 | 29.5 | 35.0 | 38.7 |
| | Return on equity after tax (%) | 30.5 | 29.0 | 29.6 | 22.2 | 24.9 | 29.0 |
| Solvency coverage (% in 2016)* | 285 | 285 | 2.8 | 2.8 | 2.7 | 2.8 | |

Key figures and ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 have been restated as a result of changes therein. The comparative figures for 2014 and earlier financial years have not been restated.

* The solvency coverage is for Alm. Brand Forsikring A/S, and the total capital is reduced by the amount of proposed or distributed dividends. For 2015 and earlier financial years, the solvency coverage was calculated in accordance with the rules applicable for the years in question.

Life and Pension

Life and Pension offers life insurance, pension savings and pension insurance with a particular focus on private individuals, owners and employees of small businesses, and farmers.

Financial ratios

Gross premiums

1,281
DKKm

Bonus rate

20.1

Profit before tax

84
DKKm

Pension based on *personal* advice

Market shares

Measured in terms of regular payments



65,000

Customers

(Approx. 40% are also customers of Non-life Insurance or Banking)



2%

Retirement pension



5%

Instalment pension



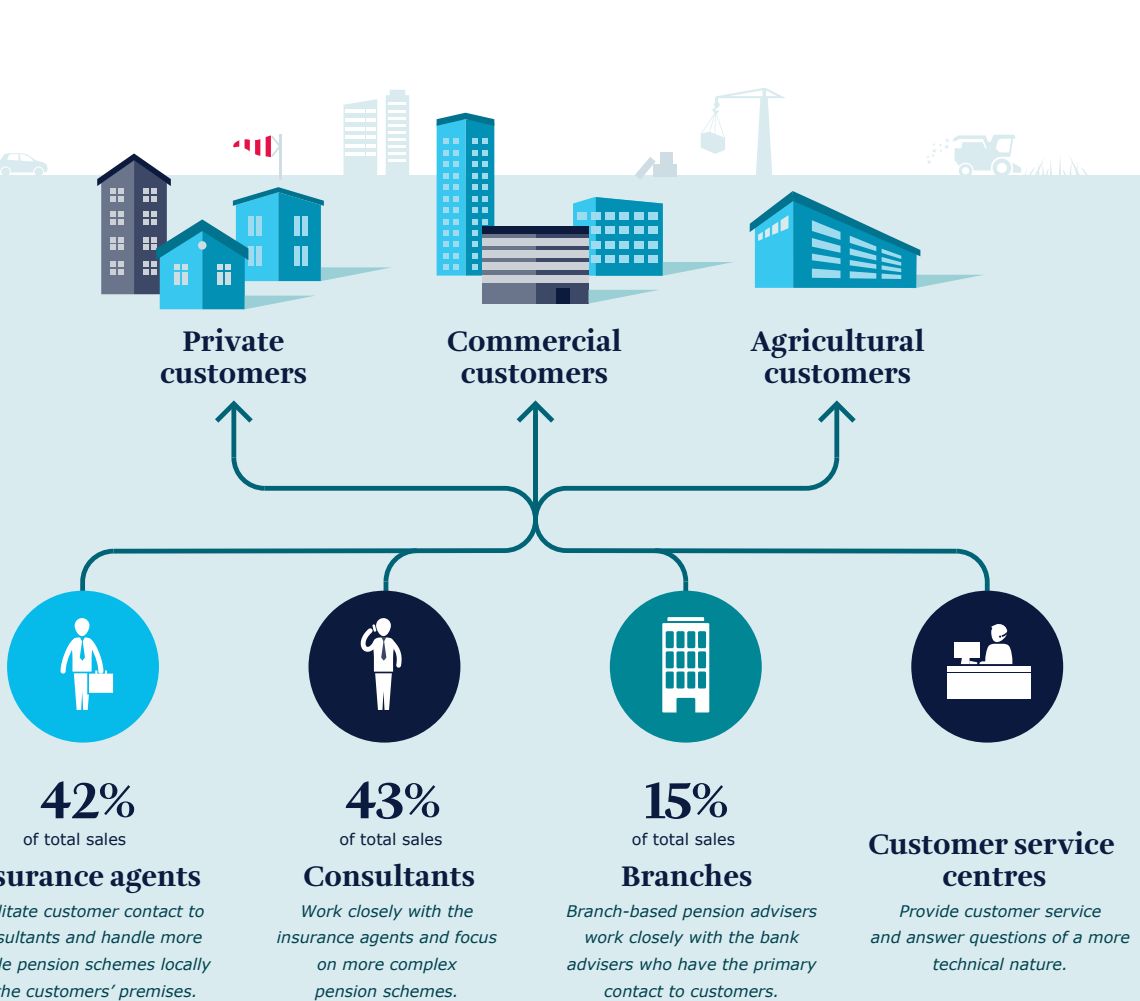
3%

Insurance with regular disbursement



<1%

Employer pensions



Life and Pension

Highly satisfactory pre-tax profit of DKK 84 million. As a result of the strong investment result, the bonus potentials have been increased.

Recent years' high rate on policyholders' savings remains at an unchanged level of 4.0% in 2017.

Market

The pension market consists of three types of schemes:

- Unrestricted individual schemes paid either by employers or by private individuals
- Mandatory or voluntary corporate schemes under which employees are covered by a pension agreement between their employer and a pension provider
- Labour market-related schemes for which membership of a particular pension company or pension fund is mandatory

The product range comprises insurance covers and various types of savings. The main types of insurance are death cover, disability cover, critical illness cover and health insurance, whereas savings comprise retirement pension, instalment pension and annuity schemes.

Consolidation has been particularly prominent in workers' compensation lines in recent years. Among other things, this trend is driven by the increased regulatory focus and the resulting administrative burden. Consolidation has not been as prominent in the commercial market, but the administrative burden has increased similarly in this area. Alm. Brand Liv og Pension has addressed this trend through its growth strategy, and the company continues the work to achieve synergies from sharing functions with the rest of the Alm. Brand Group.

The vast majority of the market is based on the principle of tax deductibility at the time of payment and taxation at the time of disbursement. In recent years, the tax deductibility options have been significantly reduced. In 2016, annuity pension schemes were fully deductible, while instalment pension schemes were subject to a tax deductibility cap of DKK 52,400, and capital pension schemes ceased to be tax deductible.

In 2016, pension savers could pay up to DKK 28,900 into their retirement pension scheme, and while such payments are not tax deductible, disbursements are tax-free.

In recent years, a number of pension companies have increasingly urged their customers to convert existing schemes into market rate products, which typically eases the company's provisioning requirement. Alm. Brand Liv og Pension has opted to continue to offer both the average rate product with guaranteed benefits and market rate products.

The average rate product provides greater security for policyholders, and because of the company's strong investment buffers, the product remains competitive relative to market rate products.

Alm. Brand also offers market rate products through Alm. Brand Bank.

The financial markets saw yet another year of major fluctuations in 2016. The Brexit referendum caused severe dips in equity markets and interest rate levels. However, equity markets bounced back quickly, and as it became clear that the initial effects would not be quite as severe as expected, interest rates began to climb again. Following the election of Donald Trump as President of the United States, markets rose further on expectations that Trump's expansionary fiscal policy plans will increase both growth and financing requirements. However, the interest rate level is still 30-40 basis points lower than at the beginning of the year, as long-term interest rates have taken the steepest fall.

Alm. Brand Liv og Pension has held firm in its overall investment strategy throughout the year. This kept the individual solvency requirement stable during the period and, as a result, the company remains very strongly positioned to offer a high rate on policyholders' savings. As a result, Life and Pension in November 2016 announced that the company will continue to offer a rate on policyholders' funds which, for the fourth year running, is among the best in the market. The attractive rate on policyholders' savings supports the company's growth ambitions.

Product development

Corporate concept

The private pension scheme market has stalled, among other things due to the widespread use of pension schemes under collective agreements. The corporate pensions segment continues to grow. In particular, self-employed traders and small businesses represent a sales potential, as these groups only to a limited extent already have pension agreements.

Life and Pension therefore launched a new corporate concept offering corporate pension schemes to small companies which are already customers of Alm. Brand Forsikring. The initiative has already produced results but is expected to contribute even more to growth in 2017.

Performance

Life and Pension achieved a total pre-tax profit of DKK 84 million in 2016, up DKK 6 million on 2015.

The profit was composed as follows:

- Expense and risk result of DKK 47 million
- Interest rate result of DKK 21 million
- Profit of DKK 8 million from the group life insurance business
- Profit from life annuities without bonus entitlement of DKK 1 million
- Investment return on assets allocated to shareholders' equity of DKK 7 million

Shadow accounts were reduced by DKK 8 million from DKK 12 million at 31 December 2015.

The profit for the year was satisfactory and equalled a return on equity before tax of 10%, which was unchanged from 2015.

It was satisfactory to note that the collective bonus potential increased by DKK 168 million year on year to stand at DKK 1,317 million at 31 December 2016. The increase was driven by the fair-sized investment return for 2016 and made for an average bonus rate of 20.1%.

Bonus rate

The implementation of a new Executive Order on Financial Reporting entails a change in the calculation of the bonus rate. The bonus rate is now calculated as the sum of the collective and individual bonus potentials. This makes the bonus rate more sensitive to interest rate changes and thus more volatile.

Premiums

Payments into guaranteed schemes

Regular payments into guaranteed schemes were up by 1.7% to DKK 667 million, while single payments declined by 6.2% to DKK 614 million.

However, the level of single payments remains high, whereas growth in regular premiums fell short of the company's growth ambitions and thus was not satisfactory. The company has a strategy of increasing regular premiums, as they represent a longer-lasting customer relationship than single payments.

Premium payments into guaranteed schemes with the life insurance company fell by a total of 2.2% to DKK 1,281 million. As a result of the growth in regular premiums and the continued high level of single payments, customers' pension savings held in guaranteed schemes increased by 7% in 2016.

Payments into market rate schemes

Payments into market rate schemes with the bank (investment schemes) totalled DKK 331 million (2015: DKK 430 million), equivalent to a decline of 22.9%. This was due to the combination of extraordinarily high payments in 2015 and the fact that customers increasingly preferred guaranteed products in 2016, among other things as a result of the investment return performance of the market rate scheme. Pension savings in the market rate scheme increased by 4% in 2016 in spite of the lower level of payments in general.

Total pension contributions

Total payments into pension schemes, including investment schemes with the bank, fell by 7.4% to DKK 1,612 million (2015: DKK 1,741 million).

The development in total pension contributions fell short of the company's growth ambitions and was thus not satisfactory.

Benefits paid

Benefits paid totalled DKK 970 million (2015: DKK 1,103 million).

The lower level of benefits paid was mainly due to the fact that, in 2015, the benefits were still influenced by the effects of the tax reform, which gave capital pension customers the option of settling the tax due on their schemes at a rate of 37.3% instead of the standard rate of 40%.

Risk result

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 63 million (2015: DKK 48 million). This increase was driven by a strong performance of disability and mortality risk and was mainly the result of thorough assessments in connection with the process of writing new business. The risk result was highly satisfactory.

Costs

Acquisition costs and administrative expenses totalled DKK 101 million in 2016 (2015: DKK 84 million). The high cost level was due to non-recurring factors as well as to IT investments made to support future growth. The 2016 cost level was in line with expectations.

Expense result

The expense result, which expresses the difference between expense loading and expenses incurred, declined by DKK 7 million to a loss of DKK 16 million. The lower expense result was the result of developments in acquisition costs and administrative expenses.

Reinsurance

The reinsurance result was a loss of DKK 4 million (2015: DKK 4 million loss), but this was a satisfactory performance considering the reduction in risk and, by extension, in the fluctuations of the company's results resulting from reinsurance.

Investment return on assets allocated to equity

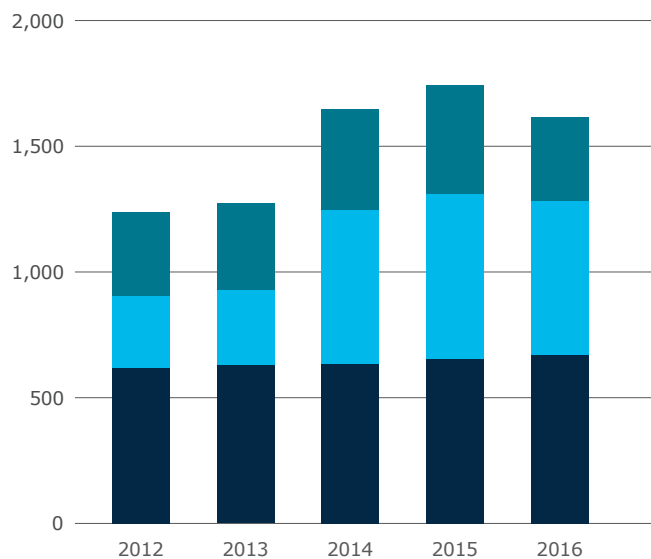
The return on investment assets allocated to equity was DKK 7 million, corresponding to a rate of return of 0.8.

Assets allocated to equity are primarily invested in ultra-short bonds. The return was highly satisfactory in light of the challenging investment environment with very low or even negative short-term interest rates.

Investment return on policyholders' funds

Investment assets belonging to policyholders, which amounted to a total of DKK 13.0 billion at 31 December 2016, are placed in bonds, equities and property.

**Total payments,
Pension (DKK m)**



- Regular premium income
- Single contributions
- Payments into market rate schemes (Banking)

**Investment assets
policyholders' funds**



- 72% bonds
- 16% equities
- 12% property

The return (before tax on pension returns but after investment costs) on investment assets belonging to policyholders was DKK 849 million, equivalent to 6.3%, compared with a return of DKK 148 million in 2015.

The return for the year was favourably affected by the decline in interest rates, which led to capital gains on a large part of the bond portfolio.

Bonds

At 31 December 2016, bonds made up 72% of the overall portfolio of policyholders' funds.

The return on bonds was positive at 6.3%, supported by value adjustments on the bond portfolio as a result of the interest rate decline in 2016 and a strong asset management performance.

Financial instruments used for partial hedging of insurance liabilities made a positive contribution to the return.

Equities

At 31 December 2016, equities made up 16% of the overall portfolio of policyholders' funds.

The return was 7.3%, being lifted by developments in the financial markets.

Property

At 31 December 2016, property made up 12% of the portfolio of policyholders' funds.

The return was 11.3%, which was higher than expected. The return was lifted by value adjustment of properties, among other things driven by improved letting conditions.

Life insurance provisions

Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted

by the yield curve for discounting provisions published by EIOPA. The 10-year point on the yield curve was at 0.91% at 31 December 2016, against 1.28% at 1 January 2016.

Over the period, total provisions increased by DKK 799 million, mainly as a result of a higher inflow from customers.

Collective bonus potential

The collective bonus potential increased by DKK 168 million to stand at DKK 1,317 million at 31 December 2016. This was highly satisfactory and positions the company favourably to continue to offer its customers a high rate on policyholders' funds in future.

Bonus rate

The total bonus rate was 20.1% at 31 December 2016, against 21.2% at 1 January 2016. The lower bonus rate was the result of an increase in policyholders' savings. The individual bonus potential declined over the year, but this was more than offset by the increase in the collective bonus potential.

New policyholders are placed in interest rate group 0, which had a bonus rate of 23.6% at 31 December 2016. In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was at a highly satisfactory 11.6% at 31 December 2016. This group continues to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments with a view to striking a healthy balance between the group's investments and liabilities.

The table below shows the current rates on policyholders' savings, bonus rates, returns and breakdown of policyholders' investment assets on the four interest rate groups into which the portfolio of policies with bonus entitlement is divided.

The collective bonus potential is calculated per contribution group and remained highly satisfactory at 31 December 2016.

| | U74* | Interest rate group 0 | Interest rate group 1 | Interest rate group 2 | Interest rate group 3 | Total |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|-------|
| Technical rate of interest (% p.a.) | | 0.5-1.5 | 1.5-2.5 | 2.5-3.5 | 3.5-4.5 | |
| Rate on policyholders' savings 2016 (% p.a.) | | 4.00 | 5.00 | 5.00 | 6.00 | |
| Rate on policyholders' savings 2017 (% p.a.) | | 4.00 | 5.50 | 5.50 | 6.00 | |
| Investment assets (DKKbn) | 0.1 | 6.9 | 1.5 | 1.3 | 3.2 | 13.0 |
| Bonus rate (%) | | 23.6 | 23.1 | 12.1 | 11.6 | 20.1 |
| Return (%) | | 7.0 | 9.6 | 7.4 | 7.7 | 7.5 |
| <i>Distribution of investment assets (%)</i> | | | | | | |
| Bonds | 100 | 62 | 64 | 77 | 84 | 70 |
| Equities | 0 | 23 | 21 | 8 | 3 | 16 |
| Property | 0 | 15 | 13 | 12 | 9 | 12 |
| Fixed-income derivatives | 0 | 0 | 2 | 3 | 4 | 2 |

* Portfolios without bonus entitlement

Profit margin on life insurance provisions

The profit margin increased by DKK 27 million over the year, from DKK 338 million at 1 January 2016 to DKK 365 million at 31 December 2016. The increase was driven by the higher inflow from customers.

There is an ongoing dialogue between the industry and the Danish Financial Supervisory Authority about the profit margin calculation approach. The dialogue with the Danish Financial Supervisory Authority concerns the correlation between the company's profit margin and bonus potentials. This is a significant area as the profit margin is included in total capital and thus affects the company's capital structure. As a result of Alm. Brand Liv og Pension's favourable buffer situation, these discussions have no impact on the size of the profit margin or the life insurance provisions. Accordingly, the choice of method has no effect on the financial statements, but only affects the relationship between the individual and collective bonus potentials. The financial statements, including the income statement, the solvency statement and the balance sheet, will thus give a true and fair view irrespective of the outcome of the dialogue with the Danish Financial Supervisory Authority.

Major events

Rate on policyholders' savings for 2017

In November 2016, Life and Pension announced that recent years' high rates on policyholders' savings would remain unchanged in 2017 at 4.0%. The attractive rate on policyholders' savings supports the company's growth ambitions.

Property

At the end of the year, Alm. Brand Liv og Pension revalued its property portfolio, predominantly as a result of improved letting conditions. The revaluation amounted to just over DKK 100 million and also reflected the annual adjustment of the property discount rate.

New managing director

Mikael Sundby, Managing Director of Alm. Brand Liv og Pension, retired from his position effective 31 December 2016. Claude Reffs has been appointed new Managing Director of Alm. Brand Liv og Pension. Claude Reffs has served as chief actuary of the company for the past seven years.

Life and Pension

| | DKKm | 2016 | Q4 2016 | 2015 | 2014 | 2013 | 2012 | |
|-------------------------------------|--|-----------|------------|-----------|-----------|-----------|-----------|--|
| INCOME STATEMENT | Premiums | 1,281 | 357 | 1,311 | 1,243 | 928 | 903 | |
| | Investment return after allocation of interest | 697 | 83 | 132 | 945 | 253 | 856 | |
| | Benefits paid | -970 | -241 | -1,103 | -1,185 | 2,239 | -973 | |
| | Insurance operating expenses | -101 | -32 | -84 | -84 | -81 | -79 | |
| | Profit/loss on reinsurance | -4 | -2 | -4 | -4 | -3 | 3 | |
| | Change in life insurance provisions | -799 | -126 | -121 | -722 | 1,650 | -495 | |
| | Change in profit margin | -27 | -33 | - | - | - | - | |
| | Change in collective bonus potential | - | - | -30 | -85 | -240 | -137 | |
| | Government tax on unallocated funds | - | - | -22 | -32 | -185 | - | |
| | Technical result | 77 | 6 | 79 | 76 | 83 | 78 | |
| | Return on investment allocated to equity | 7 | 0 | -1 | 2 | 3 | 12 | |
| | Profit/loss before tax | 84 | 6 | 78 | 78 | 86 | 90 | |
| | Tax | -10 | 9 | -1 | -21 | -21 | -19 | |
| | Profit/loss after tax | 74 | 15 | 77 | 57 | 65 | 71 | |
| | Return requirement for shareholders' equity | | | | | | | |
| | Return requirement for shareholders' equity | 7 | 0 | -1 | 2 | 3 | 12 | |
| | Result of portfolios without bonus entitlement | 1 | 1 | 6 | -3 | 0 | -9 | |
| Gruppeliv | 8 | 3 | 17 | - | - | - | | |
| Interest result | 21 | 5 | 17 | 16 | 11 | 11 | | |
| Expense result | -16 | -14 | -9 | -2 | 3 | 3 | | |
| Risk result | 63 | 12 | 48 | 64 | 71 | 78 | | |
| Transferred to/from shadow accounts | - | - | 0 | 0 | -2 | -5 | | |
| Profit/loss before tax | 84 | 7 | 78 | 77 | 86 | 90 | | |
| BALANCE SHEET | Total provisions for insurance contracts | 12,853 | 12,853 | 12,030 | 11,878 | 11,074 | 12,463 | |
| | Total shareholders' equity | 848 | 848 | 844 | 818 | 1,011 | 946 | |
| | Total assets | 14,394 | 14,394 | 13,908 | 14,246 | 12,993 | 14,366 | |
| FINANCIAL RATIOS | Rate of return related to average-rate products | 6.7 | 6.7 | - | - | - | - | |
| | Expense ratio of provisions* | 0.8 | - | 0.9 | 0.9 | 0.8 | 0.8 | |
| | Expense per individual insured | 1,415 | - | 1,152 | 1,096 | 1,026 | 961 | |
| | Return on equity before tax (%) | 10.1 | 3.5 | 9.6 | 9.2 | 8.8 | 9.7 | |
| | Return on equity after tax (%) | 8.9 | 7.3 | 9.3 | 6.8 | 6.7 | 7.6 | |
| | Solvency coverage (%)** | 816 | 816 | 192 | 197 | 210 | 211 | |

Key figures and ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds. A new executive order entered into force effective from 1 January 2016. Comparative figures for 2015 and earlier financial years have not been restated.

* The expense ratio is not fully comparable as the definition was changed in 2016.

** The solvency coverage is for Alm. Brand Liv og Pension A/S, and the total capital is reduced by the amount of proposed or distributed dividends. For 2015 and earlier financial years, the solvency coverage was calculated in accordance with the rules applicable for the years in question.

Banking

Alm. Brand Bank has nation-wide coverage and is focused on providing banking products and services to private customers, bond, equity and currency trading and research and asset management services as well as leasing of cars to private and commercial customers.

Forward-looking activities

Income

570
DKKm

Lending to private customers

2,695
DKKm

Profit before tax

62
DKKm

Helping customers *every* day



Financial Markets

- Approx. **45** employees
- Approx. DKK **35** billion in custody accounts



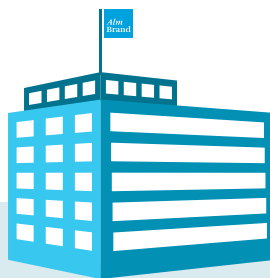
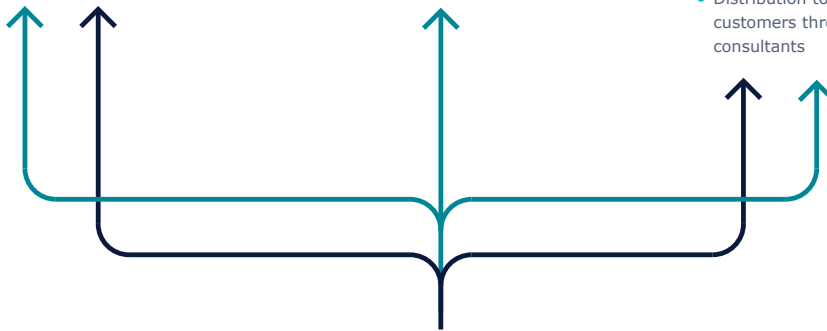
Banking, Private

- **90** banking, investment and pension advisers working from **11** branches



Leasing

- Approx. **30** employees and **7,300** leased cars
- Partnerships with car importers and car dealers across Denmark
- Distribution to commercial customers through in-house consultants



Bank



Commercial customers

50,000
Customers

(50% are also customers of Non-life Insurance or Life and Pension)



Private customers

Banking

The bank reported a pre-tax profit of DKK 44 million in 2016, the first overall profit since 2007.

In spite of intensified competition, the bank continued to report an inflow of new customers in 2016.

Market

Private

Economic conditions generally improved for private customers in 2016. A high rate of employment and housing market improvements contributed to the positive sentiment. However, the historically low interest rates did not translate into higher consumer spending, and reducing bank debt remains a key priority for most private customers. This led to a high level of advisory service activity in connection with conversion of existing mortgage loans. As a result, customers reduced lower-ranking loans, including mortgages provided by the bank. However, Alm. Brand Bank increased its overall lending.

In spite of intensified competition for the most attractive customers, the bank saw an increase in the inflow of new customers and expanded its business volume with existing customers in 2016. This confirms that a professional and holistic approach to customers is paying off.

On the investment side, the turbulent financial markets also affected private customers, resulting in a more cautious approach than in recent years.

The positive economic developments for private customers make competition for the best customers even tougher. Interest margins for this group of customers in particular therefore remained under pressure in 2016. Competition is expected to remain unchanged or to increase in 2017, which is expected to cause more customers to change banks. This could put the interest margin under additional pressure. However, supported by its strong customer concept and close customer relationships, Alm. Brand expects this to have a positive effect on both growth and earnings.

Financial Markets

Political uncertainty characterised the financial markets in 2016, which will be remembered for the Brexit referendum in the UK and the US presidential election in particular. The outcomes of both events were surprising and different from what the markets had expected, which may have unpredictable, long-term macroeconomic consequences. The many uncertainties generally contributed to destabilising the financial markets, and customer trading volumes were down in some parts of the year. On the other hand, the general economic recovery had a positive effect on markets.

The year was off to a poor start for equities, being impacted by a high degree of pessimism among professional investors, who, in spite of negative interest rates, pursued a cautious investment strategy, which in itself put interest rates under additional pressure. However, optimism staged a comeback, driven by a positive view of the US economy, the continuation of the ECB's quantitative easing programme and other factors, while the economic difficulties in China and emerging markets receded into the background. After the shock effects of the UK referendum and the US presidential election had been absorbed, the year closed with satisfactory equity returns, and expectations for a highly expansionary US fiscal policy lifted interest rates back towards the level prevailing at the beginning of the year.

At the beginning of the year, the Danish mortgage credit system came under substantial pressure from increased regulation, which meant that Danish investors had to significantly reduce their mortgage bond portfolios. As a result, Danish mortgage bonds in late winter traded at the same credit levels as weak southern European corporate bonds. International investors became aware of this in the second half of 2016, and they have since invested heavily in Danish mortgage bonds, thereby narrowing the spread between these and the swap rates.

The combination of caution surrounding the major political events and confidence in the Danish mortgage credit system formed the bedrock of the bank's investment strategy in 2016.

Leasing

The number of new motor car registrations continued to increase in 2016, making it evident that more and more households prefer leasing over buying. Accordingly, the proportion of new privately leased passenger cars increased from 15% in 2015 to 22% of total sales to private customers in 2016. Alm. Brand is the third largest provider of private leasing in Denmark.

A consumer preference for flexibility, having less capital tied up in a car and increased environmental awareness will support the leasing market going forward, and the market is therefore expected to grow in the years ahead. Competition is also expected to increase, and high standards will be demanded from providers in terms of accommodating consumer expectations for digitalisation and flexibility in their service offerings, including in terms of car sharing programmes and more frequent replacement than today.

The market for commercial customer leases is unchanged from previously and remained fiercely competitive. Here as well, there was an increase in the proportion of leased company cars, which now account for 73%, while the proportion of leased vans increased to 77%. Commercial customers increasingly expect professional advice based on their specific needs as well as reporting and information via digital solutions.

Performance

In 2016, the bank was able to report an overall profit for the first time since 2007. The profit before tax was DKK 44 million, up by DKK 375 million on 2015. The bank's overall performance was better than expected, and developments in the banking activities are considered to be satisfactory.

The forward-looking activities generated a profit of DKK 62 million, marking an improvement relative to the most recent guidance for a profit of DKK 50 million. The performance was affected by a low level of impairments, an improved return on the bank's investment activities and stronger growth in Leasing.

The winding-up activities reported a loss of DKK 18 million, which was DKK 7 million better than the guided loss of DKK 25 million.

Total impairment writedowns for the year amounted to DKK 50 million (2015: DKK 327 million). DKK 56 million of the impairment writedowns made in 2016 was attributable to winding-up activities, the writedowns mainly being a consequence of the challenging conditions in the Danish agricultural sector.

The interest margin for the banking group improved by 0.6 of a percentage point to 2.5% and was favourably affected by the reduction of fixed-rate deposits and a lower deposit rate. Moreover, the reduction of the bank's excess liquidity had a positive effect on the interest margin.

Forward-looking activities

Forward-looking activities generated pre-tax profit of DKK 62 million, up DKK 44 million on 2015. The improvement was driven by reversed impairment writedowns on private customers, higher income from Leasing and the return generated from the bank's investment activities.

The total impairment writedowns were positive at DKK 6 million as a result of income from debt previously written off. The underlying impairment writedowns were at a normal level in 2016, representing 0.6% of the average portfolio.

Core earnings were a profit of DKK 50 million, against a profit of DKK 98 million in 2015. The decline was due to the reduction of the bond portfolio, which therefore contributed less interest income than previously.

Moreover, compared with 2015, the bank generated less income from the funding of its winding-up activities, as it reduced the lending portfolio considerably in 2016.

Income

Income amounted to DKK 570 million, which was on a par with 2015. The performance was driven by reduced interest income from bonds following the reduction of the bank's excess liquidity, whereas income from leasing activities was up.

Costs

Costs amounted to DKK 367 million in 2016, which was 4% higher than in 2015. Staff costs and administrative expenses increased, among other things due to an increase in headcount in the bank's branch network and activities initiated in connection with the new strategy.

Value adjustments

Value adjustments produced a gain of DKK 5 million in 2016, against a loss of DKK 59 million in 2015.

Interest-related value adjustments including hedging produced a loss of DKK 11 million (2015: DKK 84 million loss)

attributable to the bank's investment activities and the return on the bond portfolio, which is predominantly composed of Danish mortgage bonds. The bank's bond portfolio thus produced a return of 1.2% in 2016, compared with a negative return of 0.1% in 2015. The satisfactory positive trend in the bond return was driven by a credit spread contraction. The bank achieved a capital gain on equities of DKK 7 million in 2016, against a gain of DKK 13 million in 2015.

Currency-related value adjustments produced a gain of DKK 10 million in 2016, against a gain of DKK 12 million in 2015.

Impairment writedowns

Reversed impairment writedowns on the bank's forward-looking activities produced an income of DKK 6 million in 2016, against an expense of DKK 21 million in 2015. The impairment writedowns improved relative to expectations, being favourably affected by income from exposures previously written off.

Business activities

Private

The bank reported a pre-tax profit of DKK 2 million on its private customer activities. This DKK 14 million improvement was mainly driven by the reversal of writedowns made on exposures previously written off. Income fell by DKK 10 million in 2016 due to Private generating less income than previously from procuring deposits for the bank's overall funding because of the generally lower funding requirement.

Private

| DKKm | 2016 | 2015 |
|---|-----------|------------|
| Income | 208 | 218 |
| Costs | -212 | -209 |
| Profit/loss before impairment writedowns | -4 | 9 |
| Impairment writedowns | 6 | -21 |
| Profit/loss before tax | 2 | -12 |

The number of *Pluskunder*, who use Alm. Brand Bank as their main banker, continued the strong trend, increasing by 11% in 2016. Moreover, average earnings on *Pluskunder* increased by 5% relative to 2015.

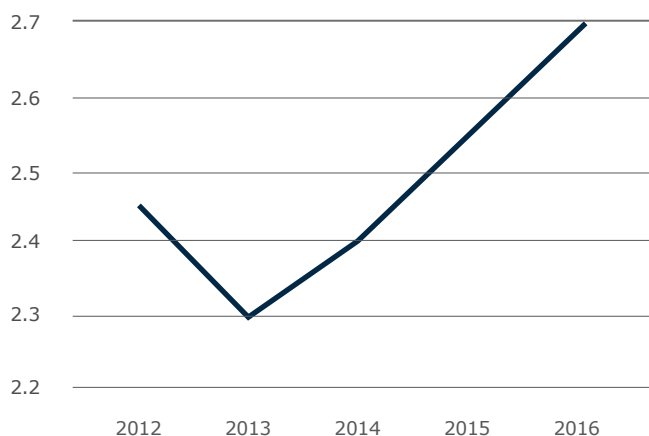
Total net loans and advances to private customers increased by approximately DKK 140 million, or 5%, in 2016 to stand at DKK 2.7 billion at 31 December 2016.

In addition, the portfolio of Totalkredit loans for which the bank acted as intermediary reported significant growth, increasing by more than DKK 1.1 billion, or 18%, to stand at DKK 7.4 billion at 31 December 2016.

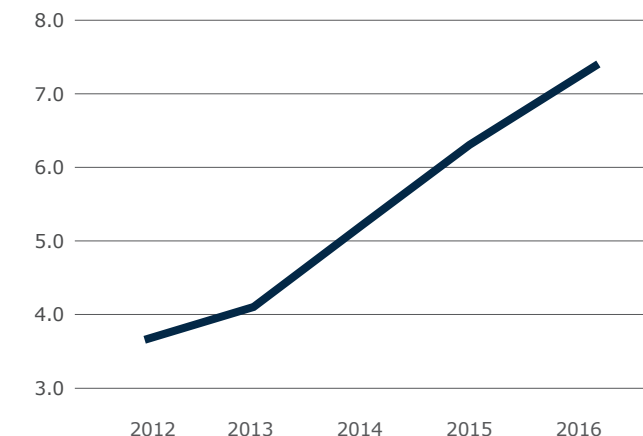
The bank's loans to private customers and the portfolio of Totalkredit loans for which the bank acted as intermediary totalled more than DKK 10 billion in 2016.

Lending to private customers

(DKKbn)



Totalkredit portfolio (DKKbn)



Financial Markets

| DKKm | 2016 | 2015 |
|--------------------------|-----------|-----------|
| Income | 147 | 160 |
| Costs | -95 | -97 |
| Core earnings | 52 | 63 |
| Value adjustments | 18 | -4 |
| Profit before tax | 70 | 59 |

Leasing

| DKKm | 2016 | 2015 |
|-------------------------------|-----------|-----------|
| Income | 216 | 171 |
| Costs | -44 | -39 |
| Depreciation and amortisation | -153 | -121 |
| Profit before tax | 19 | 11 |

Other activities

| DKKm | 2016 | 2015 |
|------------------------|------------|------------|
| Income | -1 | 22 |
| Costs | -16 | -7 |
| Core earnings | -17 | 15 |
| Value adjustments | -12 | -55 |
| Loss before tax | -29 | -40 |

Financial Markets

Financial Markets reported a pre-tax profit of DKK 70 million in 2016, up from DKK 59 million in 2015. A certain increase had been expected, as the bank incurred a loss in connection with the turmoil surrounding the Swiss franc in 2015, but the return on investment activities was surprisingly strong. Costs were furthermore reduced by DKK 2 million to DKK 95 million. Income fell by DKK 13 million to DKK 147 million due to lower coupon rates, whereas value adjustments developed favourably.

Financial Markets continued to see an increase in the number of customers in 2016, and private customer funds grew by some 15% driven by a combination of returns and more investments made through Alm. Brand. Asset Management had approximately DKK 32 billion under management at 31 December 2016, which was unchanged from last year's level.

Leasing

Leasing activities generated pre-tax profit of DKK 19 million, which was a DKK 8 million improvement on 2015.

Leasing activities generated portfolio growth of DKK 162 million, or 25%, in 2016. The favourable portfolio performance was driven by leases to both private and commercial customers. Total leasing assets amounted to DKK 818 million at 31 December 2016, against DKK 655 million at 31 December 2015.

As a result of the portfolio growth, income increased by DKK 45 million to DKK 216 million compared with 2015. Costs were DKK 5 million higher than in 2015 as a result of the higher level of activity, including costs related to servicing and returning vehicles and drafting new contracts.

Depreciation increased by DKK 32 million to DKK 153 million in 2016 due to the larger portfolio.

Other

Other activities, consisting primarily of Treasury, reported a pre-tax loss of DKK 29 million in 2016, compared with a loss of DKK 40 million in 2015. The loss for the year was attributable to the negative interest rate environment and the high level of excess liquidity.

Income was DKK 23 million lower than in 2015 due to a reduced bond portfolio and the resulting lower level of interest income as well as reduced income from the funding of winding-up activities. Despite lower interest income, the bond portfolio generated an overall satisfactory return (including value adjustments) that outperformed the 2015 return.

Costs were DKK 9 million higher than in 2015, which, however, comprised a reversal of provisions made in previous financial years.

Winding-up activities

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

The winding-up activities posted a loss of DKK 18 million (2015: DKK 349 million loss), which was an improvement relative to the most recent guidance of a loss of DKK 25 million.

The winding-up activities were characterised by a substantial improvement in impairment writedowns, which totalled DKK 56 million in 2016 (2015: DKK 306 million). The improvement was driven by a lower level of impairment writedowns on mortgage deeds and agricultural exposures. Before impairment writedowns, the winding-up activities generated profit of DKK 38 million, marking a DKK 81 million improvement on 2015. The significant profit improvement before impairment writedowns was driven mainly by lower funding costs, a capital gain on the equity portfolio and lower staff costs and administrative expenses.

Total loans and advances in the winding-up portfolio declined by DKK 375 million to DKK 942 million in 2015, representing 25% of the bank's overall lending portfolio. Adjusted for losses and writedowns, the lending portfolio was reduced by DKK 363 million, which was significantly better than expected.

Agriculture

The portfolio consists of 40 agricultural customers, composed of about 36% pig farming, about 45% dairy farming

and about 19% plant cultivation, etc. The bank's agricultural customers generally have a high level of debt, and a number of exposures are characterised by strained liquidity.

Gross lending to the bank's agricultural segment totalled DKK 857 million at 31 December 2016. At 31 December 2016, the carrying amount of these loans and advances was DKK 204 million, and accumulated impairment writedowns thus totalled DKK 653 million.

Over the past few years, the bank has made targeted efforts to reduce the credit exposure in this segment. The credit quality of the remaining portfolio has gradually deteriorate.

The portfolio was reduced by DKK 104 million in 2016. Less losses and writedowns, the agricultural lending portfolio declined by DKK 59 million. The reduction was primarily related to the winding up of exposures.

Impairment writedowns amounted to DKK 45 million in 2016 and were characterised by very difficult conditions in the first six months of 2016 in particular. In the second half of the year, settlement prices recovered somewhat, and the forecasts for 2017 indicate improvement. Total collective impairment charges related to the agricultural segment amounted to DKK 125 million at 31 December 2016. The bank expects that earnings conditions for agriculture will improve further in 2017.

Commercial

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

Credit exposure, winding-up portfolio

| DKKm | Credit exposure | | | Total 2015 | Losses and writedowns | | | | Total 2016 | Impairments in % ^{a)} |
|--|-----------------|--------------|------------|---------------|-----------------------|-----------|-----------|-----------|---------------|-----------------------------------|
| | 2015 | 2016 | Share in % | | Q1 | Q2 | Q3 | Q4 | | |
| Agriculture | 308 | 204 | 22 | 274 | 9 | 10 | 14 | 12 | 45 | 18 |
| Commercial | 781 | 544 | 58 | -41 | -13 | -6 | 1 | 3 | -15 | -2 |
| Mortgage deeds ^{b)} | 228 | 194 | 20 | 29 | -8 | 2 | 1 | -13 | -18 | -9 |
| Total loans and advances | 1,317 | 942 | 100 | 262 | -12 | 6 | 16 | 2 | 12 | 1 |
| Credit exposure through option agreement on mortgage deeds ^{b)} | 1,588 | 1,329 | - | 44 | 11 | 7 | 8 | 18 | 44 | 3 |
| Winding-up activities | 2,905 | 2,271 | - | 306 | -1 | 13 | 24 | 20 | 56 | 2 |

^{a)} Losses and writedowns as a percentage of the average portfolio in 2016. The percentage is not comparable with the impairment ratio in the bank's financial highlights and key ratios.

^{b)} The impairment writedowns include credit-related value adjustments of mortgage deeds.

The total portfolio was reduced by more than expected, declining by DKK 237 million to DKK 544 million in 2016. Impairment writedowns in the amount of DKK 15 million were reversed in 2016, as the sale of properties in connection with the winding up of exposures generally provided better coverage of the bank's receivables due to higher prices.

At 31 December 2016, the portfolio consisted of 92 exposures.

Mortgage deeds

This segment comprises the bank's own portfolio of private and commercial mortgage deeds and the credit-related mortgage deed exposure through an option agreement with Alm. Brand Forsikring.

Developments in the mortgage deed segment generally reflect developments in the housing market. In 2016, property prices remained characterised by price increases and a high turnover of properties in Greater Copenhagen and other major towns and cities in Denmark. As opposed to 2015, price increases were also seen in areas that had long been suffering from stagnant price trends.

The number of forced sales increased slightly towards the end of the year, but the level remains low in absolute numbers. The delinquency rate for private mortgage deeds was on a par with 2015, whereas the delinquency rate for commercial mortgage deeds traced slightly downward.

The portfolio was reduced by DKK 34 million to DKK 194 million in 2016, while the mortgage deed exposure through the option agreement amounted to DKK 1.3 billion at 31 December 2016, against DKK 1.6 billion at 31 December 2015.

Credit-related writedowns on mortgage deeds amounted to DKK 26 million (net) in 2016. The amount breaks down on DKK 44 million related to the option agreement on mortgage deeds concluded with Alm. Brand Forsikring and a DKK 18 million reversal of impairment writedowns.

Balance sheet

Loans and advances

The bank's loans and advances declined by DKK 0.5 billion to stand at DKK 3.8 billion at 31 December 2016.

Excluding intra-group lending and writedowns, loans and advances increased by DKK 96 million for the forward-looking activities and declined by DKK 375 million for the winding-up activities.

Deposits

The bank had deposits of DKK 7.2 billion at 31 December 2016, against DKK 8.1 billion at 31 December 2015. The

bank had expected to reduce total deposits further in 2016, but even at 0% interest on deposit accounts this did not materialise to the necessary extent, as the alternative placement options available to customers were limited.

However, the bank is still experiencing a positive shift in deposits from high-interest fixed-rate deposits to lower-interest floating-rate deposits. Fixed-rate deposits declined from DKK 1.8 billion to DKK 0.7 billion in 2016.

At 31 December 2016, floating-rate deposits represented 90% of total deposits, against 78% at 31 December 2015. The bank maintains its strategy of reducing both fixed-rate and floating-rate deposits.

Liquidity

December 2016, the bank had cash funds of DKK 3.5 billion, and excess liquidity calculated as per section 152 of the Danish Financial Business Act was DKK 2.5 billion, equivalent to an excess coverage of 278% relative to the statutory requirement. The excess coverage was reduced by DKK 0.6 billion in 2016. At 31 December 2016, the bank's LCR was 312%.

Management monitors the bank's liquidity closely, and efforts will be made to further reduce the excess liquidity coverage in 2017.

Capital reservation for credit risk

The banking group's total capital reservation for credit risk decreased by DKK 418 million in 2016 to DKK 2,535 million at 31 December 2016.

The capital reservation equalled 36% of the credit exposure at 31 December 2016, which was a decline of 1 percentage point relative to 31 December 2015.

The capital reservation on the forward-looking portfolio represented 21% of the credit exposure, and the capital reservation on the winding-up portfolio represented 49% of the credit exposure.

Of the banking group's total capital reservation at 31 December 2016, accumulated impairment writedowns amounted to DKK 1,859 million, compared with DKK 2,151 million at 31 December 2015. Accumulated impairment writedowns broke down as follows at 31 December 2016: DKK 302 million on the forward-looking portfolio and DKK 1,557 million on the winding-up portfolio, DKK 643 million of which was attributable to fair value adjustment of mortgage deeds.

Capital reservation for credit risk

| DKKm | 31 Dec. 2016 | | | | | | 31 Dec. 2015 | |
|--|-------------------|----------------------------------|---|---------------------|----------------------|------------------------------------|----------------------|------------------------------------|
| | Total as- sets | Credit exposure ^{a)} | Accumulated impairment writedowns ^{b)} | Required capital | Total reservation | Reservation/ credit exposure | Total reservation | Reservation/ credit exposure |
| Forward-looking portfolio | 2,781 | 3,082 | 302 | 358 | 660 | 21% | 663 | 22% |
| Winding-up portfolio | 942 | 3,828 | 1,557 | 304 | 1,861 | 49% | 2,271 | 48% |
| Total - excl. reverse transactions | 3,723 | 6,910 | 1,859 | 662 | 2,521 | 36% | 2,934 | 38% |
| Reverse transactions including intra- group transactions | 54 | 54 | – | 14 | 14 | 26% | 19 | 6% |
| Total, group | 3,777 | 6,964 | 1,859 | 676 | 2,535 | 36% | 2,953 | 37% |

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

^{b)} Including value adjustments of mortgage deeds.

Supervisory diamond

At 31 December 2016, the bank was in compliance with all five threshold values of the supervisory diamond of the Danish Financial Supervisory Authority.

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



Large exposures

Threshold value < 125% **2016** 18% **2015** 28%

Growth in lending

Threshold value < 20% **2016** -6% **2015** -9%

Funding ratio

Threshold value < 1 **2016** 0,50 **2015** 0,52

Property exposure

Threshold value < 25% **2016** 13% **2015** 14%

Excess liquidity coverage

Threshold value > 50% **2016** 278% **2015** 272%

Major events

Change in the current account limit with Danmarks Nationalbank

At 30 May 2016, the current account limit with Danmarks Nationalbank was raised by DKK 50 million to DKK 175 million.

Cooperation on MobilePay

In November 2016, Alm. Brand Bank joined the new distribution partnership behind MobilePay together with a number of other smaller-sized banks. The agreement entails that Alm. Brand Bank is now able to offer its customers the preferred mobile payment solution. As a result of MobilePay's success, SWIPP closed on 28 February 2017.

Events after the balance sheet date

Repayment of additional tier 1 capital and new subordinated loan issued

On 31 January 2017, the bank repaid the additional tier 1 capital of DKK 175 million, which was no longer eligible for inclusion in the bank's total capital. In that connection, the bank was delisted from Nasdaq Copenhagen. Instead, an agreement was made for a subordinated loan of DKK 175 million from Alm. Brand af 1792 fmba. The subordinated loan will have a 10-year maturity with an option for Alm. Brand Bank to terminate the loan after five years and will carry interest at the rate of 5.25% p.a. plus CIBOR 6.

Banking

| | DKKm | GROUP | | | | | |
|-------------------------|--|------------|------------|-------------|-------------|-------------|-------------|
| | | 2016 | Q4 2016 | 2015 | 2014 | 2013 | 2012 |
| INCOME STATEMENT | | | | | | | |
| | Forward-looking activities: | | | | | | |
| | Net interest and fee income, Private | 208 | 52 | 218 | 182 | 179 | 177 |
| | Trading income (excl. value adjustments) | 144 | 40 | 181 | 212 | 240 | 172 |
| | Other income | 218 | 61 | 172 | 137 | 89 | 63 |
| | Total income | 570 | 153 | 571 | 531 | 508 | 412 |
| | Costs | -367 | -100 | -352 | -344 | -368 | -364 |
| | Depreciation and amortisation | -153 | -44 | -121 | -91 | -52 | -33 |
| | Core earnings | 50 | 9 | 98 | 96 | 88 | 15 |
| | Value adjustments | 6 | 12 | -59 | -31 | -33 | 3 |
| | Profit/loss from investments | 0 | 0 | 0 | 17 | -2 | -6 |
| | Alm. Brand Formue (the bank's owner- ship interest) | - | - | - | -4 | -25 | -2 |
| | Profit/loss before impairment writedowns | 56 | 21 | 39 | 78 | 28 | 10 |
| | Impairment writedowns | 6 | -6 | -21 | -17 | -118 | -57 |
| | Profit/loss before tax, forward-looking activities | 62 | 15 | 18 | 61 | -90 | -47 |
| | Winding-up activities: | | | | | | |
| | Profit/loss before impairment writedowns | 38 | 5 | -43 | -76 | -123 | -49 |
| | Impairment writedowns | -56 | -20 | -306 | -260 | -256 | -423 |
| | Profit/loss before tax, winding-up activities | -18 | -15 | -349 | -336 | -379 | -472 |
| | Profit/loss before tax and minority interests | 44 | 0 | -331 | -275 | -469 | -519 |
| | Tax | -8 | 1 | 82 | 116 | 77 | 128 |
| | Profit/loss after tax and before minority interests | 36 | 1 | -249 | -159 | -392 | -391 |
| | Minority interests | - | - | - | 11 | 26 | 39 |
| | Profit/loss after tax | 36 | 1 | -249 | -148 | -366 | -352 |
| BALANCE SHEET | | | | | | | |
| | Loans and advances, forward-looking activities | 2,835 | 2,835 | 2,981 | 2,585 | 2,568 | 2,754 |
| | Loans and advances, winding-up activities | 942 | 942 | 1,317 | 2,069 | 4,772 | 5,642 |
| | Deposits | 7,189 | 7,189 | 8,099 | 11,076 | 10,936 | 11,325 |
| | Shareholders' equity | 1,521 | 1,521 | 1,495 | 1,744 | 1,696 | 1,169 |
| | Share attributable to minority interests | - | - | - | - | 193 | 173 |
| | Balance sheet | 9,699 | 9,699 | 10,416 | 14,411 | 16,296 | 17,903 |
| FINANCIAL RATIOS | | | | | | | |
| | Interest margin (%) | 2.5 | 2.5 | 1.9 | 1.7 | 1.6 | 1.4 |
| | Income/cost ratio | 1.07 | 1.0 | 0.59 | 0.56 | 0.38 | 0.42 |
| | Impairment ratio for the year | 0.4 | 0.3 | 3.9 | 2.1 | 2.1 | 2.8 |
| | Total capital ratio | 18.1 | 18.1 | 17.2 | 17.8 | 18.4 | 18.5 |
| | Return on equity before tax (%) | 2.9 | 0.0 | -20.4 | -17.3 | -33.8 | -41.6 |
| | Return on equity after tax (%) | 2.4 | 0.2 | -15.4 | -10.0 | -27.9 | -30.6 |

CSR

Alm. Brand has provided a secure and proper setting for its customers since 1792. Proper conduct is Alm. Brand's pledge to its customers and society at large.

Alm. Brand seeks to conduct its business in a responsible and sustainable manner.

Alm. Brand seeks to conduct its business in a responsible and sustainable manner. Alm. Brand's vision is: "We take care of our customers". "Taking care of" applies not only to customer relationships, but also to employee relationships, environmental and climate matters and to matters concerning society in general.

In accordance with its CSR targets for 2016, Alm. Brand has set up a CSR policy describing the group's positions on and approach to corporate social responsibility in five key areas. The policy has been approved by the Board of Directors.

The CSR policy is focused on environment and climate, social and employee-related matters, anti-corruption and bribery, human rights and socially responsible investment. These focus areas have been chosen because they support Alm. Brand's business.

Alm. Brand plans to sign up to the UN Global Compact in 2017.

Below is a brief summary of the policy for each focus area, the targets and activities of the year, significant risks and targets and expectations for the efforts planned for the coming year. The full version of the group's CSR report for 2016 is available in Danish at almbrand.dk/CSRrapport-2016, while Alm. Brand's consolidated CSR material, including the group's CSR policy, is available at almbrand.dk/CSR.

Environment and climate

Alm. Brand cares about the environment and the climate. As part of the group's CSR policy in this area, targeted efforts are made to optimise energy consumption in all major properties and leased premises, including by focusing on how each individual employee can contribute to achieving this objective. Alm. Brand regularly monitors and follows up on the energy consumption at the group's premises.

Initiatives in 2016

Alm. Brand achieved the annual target of reducing power consumption by 1.0% relative to 2015. Also in 2016, Alm. Brand prepared a statement on climate performance for 2015, which shows that Alm. Brand reduced its power consumption, climate-adjusted heat consumption and fuel consumption also in the period 2014-2015.

Alm. Brand has decided not to acquire a tool to log the number of printouts, as the system was not seen to add sufficient value to justify the cost of the investment. Some departments have tried a solution where a queued printout is not processed until the person ordering the printout is standing by the printer. This system is now being introduced as a voluntary scheme.

Principal risks related to the environment and climate

The principal risks related to the environment and climate are associated with the group's energy consumption and choice of materials. Alm. Brand is focused on this and follows up on selected focus areas, which are described in greater detail in the CSR report for 2016.

Initiatives for 2017

In 2017, Alm. Brand will continue its efforts to monitor and optimise energy consumption throughout the group, including by preparing a statement on climate performance for 2016.

Social and employee-related matters

Alm. Brand wishes to make relevant information available to its customers and society at large and also to participate actively in local business and community organisations through sponsorships. Alm. Brand strives to provide good social and physical frameworks for its employees by making a wide variety of activities available to them. Alm. Brand is focused on diversity and has adopted a separate policy to ensure equal gender representation at the group's two management levels.

Information on the group's targets and progress status as well as initiatives taken to increase the underrepresented gender is provided in Alm. Brand's CSR report. The report is available in Danish almbrand.dk/CSRrapport-2016.

Initiatives in 2016

Claims prevention works

Alm. Brand considers helping customers prevent claims highly valuable. In 2016, Alm. Brand therefore teamed up with the Danish Insurance Association to contribute to overall claims preventing initiatives in the insurance industry. These activities are directed at preventing burglary, building damage, workplace-induced stress and other issues.

Moreover, Alm. Brand has launched a number of preventive initiatives which have been well received among the customers, and which are expected to have a positive effect on the claims frequency.

In 2016, Alm. Brand supported relevant causes through donations and sponsorships. These are described in greater detail in the group's CSR report.

Health and well-being on the job

The purpose of the group's health policy and focus on a healthy working environment is to promote employee health and well-being on and off the job. In 2016, these efforts included advice on working environment and ergonomics for pregnant employees. In addition, Alm. Brand

has implemented a sickness policy and has since 2012 had a goal of reducing sickness absenteeism. As a result, the average number of sick days has been reduced by 0.7 since 2012.

Principal risks related to social and employee-related matters

The principal risks related to corporate social responsibility are actions committed by the employees that are contrary to the group's values and policies. Preventive efforts include giving strong priority to the information and values provided in internal communications and training activities for employees.

Initiatives for 2017

Customers and society at large

Alm. Brand plans to continue its activities within claims prevention and general responsible conduct in relation to customers and society at large in 2017. Moreover, Alm. Brand is considering sponsorships which support the group's values and image as a CSR protagonist.

Employees

Also in relation to its employees, Alm. Brand plans to continue its efforts to ensure a good working environment, focusing in particular on stress prevention and continuous reduction of sickness absenteeism in 2017.

Anti-corruption and bribery

Alm. Brand wishes to prevent any doubts as to whether the group's employees make decisions based on objective criteria. The group wishes to avoid situations in which the Alm. Brand Group could be accused of obtaining benefits from customers or other business partners by inappropriate generosity and, likewise, to protect employees from groundless suspicion. Alm. Brand has adopted a gift policy for this area.

Initiatives in 2016

In 2016, Alm. Brand followed up on the policy by regularly providing information to selected managers and employees about existing rules in the area and by instructing new employees about the rules. The current anti-corruption and bribery policy is also a component of the staff manual and the group's business procedures.

Principal risks related to anti-corruption and bribery

The principal risk in this respect is related to the potential use of suppliers that do not comply with national legislation and internationally recognised standards and conventions. As a result, the previous practice in the area will be adopted as a formal supplier policy for the group in 2017. Gifts exceeding the limits determined will be reported and form part of the current compliance reporting to the group management.

Initiatives in 2017

Alm. Brand will continue its current communication and monitoring efforts in the area and will set up a formal supplier policy for the entire group in 2017.

Human rights

Alm. Brand does not have a separate human rights policy, mainly because the group operates in Denmark only. However, human rights form an integral part of the group's policy for socially responsible investment.

Socially responsible investment

Alm. Brand's investment activities form part of the group's primary business activities and are intended to ensure the highest possible long-term return, while taking due account of risk and a number of environmental, social and governance issues. Alm. Brand has therefore set up a separate policy for socially responsible investment, which specifies considerations and requirements of respecting human rights and labour rights, complying with international conventions, etc.

Initiatives in 2016

The policy for socially responsible investment was adopted in November 2016.

Principal risks related to socially responsible investment

The risk of Alm. Brand investing in businesses or countries that act contrary to Alm. Brand's corporate values and responsibility requirements may have serious consequences for the group's image and business operations. The investment policy is therefore updated on an annual basis.

Initiatives for 2017

In 2017, Alm. Brand will continue its investment activities in compliance with its responsible investment policy and maintain its regular monitoring and reporting efforts as set out in the policy. The policy will be updated as part of the annual policy review.

Capitalisation

The Alm. Brand Group has updated its capital target.

Alm. Brand aims to consistently maintain a solid and adequate total capital in order to always be able to take care of the group's customers.

Alm. Brand's long-term business goals imply that the group assumes a variety of calculated risks on behalf of its customers, and this requires that Alm. Brand has adequate and satisfactory capital resources. The group's risks are described in detail in [notes 50](#) and [51](#).

The boards of directors of Alm. Brand's subsidiaries are responsible for identifying and quantifying the principal risks. The statutory capital requirement ensures that the companies are adequately capitalised to absorb adverse events over the next 12 months without compromising outstanding customer accounts.

In addition, the group's subsidiaries have defined capital targets which provide an additional buffer relative to the requirements for their capital. Moreover, a buffer is included in the group's capital target specifically related to the extraordinary risk associated with the winding-up bank.

Total capital

The group's total capital before proposed dividends was DKK 5,986 million, consisting of equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin. The introduction of the new capital elements has increased Alm. Brand's total capital but has also resulted in increased sensitivity in the calculation of total capital.

In order to address the increased total capital sensitivity following the implementation of Solvency II, Alm. Brand has decided to include only the stable part of the profit margin as part of the dividend distribution potential. In Alm. Brand Forsikring, the profit margin stability is analysed and stress-tested by being exposed to a number of negative scenarios. Based on this analysis, DKK 150 million of the total profit margin is assessed to be sufficiently stable to be included in the dividend distribution potential. In Alm. Brand Liv og Pension, stability is assessed on the basis of the bonus rate on the individual sums assured. Accordingly, only the profit margins for interest rate group 0 and interest rate group 1 are considered to be sufficiently stable to be included in the dividend distribution potential. The stable profit margin of Liv og Pension amounted to DKK 272 million at 31 December 2016.

The total capital includes DKK 399 million of the tier 2 capital and a profit margin of DKK 693 million less a risk margin of DKK 54 million.

Tier 2 capital

| DKKm | Amount (gross) | Amount included in total capital |
|---------------------------|----------------|----------------------------------|
| Additional tier 1 capital | 175 | 0 |
| Subordinated capital | 399 | 399 |
| Total | 574 | 399 |

Statutory capital requirement

The overall capital requirement of Alm. Brand is calculated as the sum of the capital requirements of the individual subsidiaries. The statutory capital requirement for the group is calculated at DKK 2,119 million, representing an excess coverage relative to the statutory capital requirement of DKK 3,870 million at 31 December 2016. Less proposed dividends and expected share buyback programme, the excess coverage was DKK 2,739 million at 31 December 2016.

Insurance activities

Alm. Brand Forsikring A/S calculates its solvency capital requirement on the basis of a partial internal model in combination with the standard formula of the Solvency II regime. The insurance company has obtained permission from the Danish Financial Supervisory Authority to continue to apply the internal model from 1 January 2016 when Solvency II entered into force.

Since end-2012, the partial internal model has been used to calculate the solvency capital requirement attributable to "premium and reserve risk" and "natural catastrophe risk". The partial internal model is designed to reflect the business structure and the reinsurance cover and is based on the company's own data. The model covers all lines except workers' compensation and personal accident, and it is designed to most accurately reflect the risk exposure.

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 1,051 million at 31 December 2016.

Alm. Brand Liv og Pension A/S applies the standard formula provided in the Solvency II legislation for the calculation of the company's capital requirement. The solvency capital requirement of Alm. Brand Liv og Pension A/S was DKK 137 million at 31 December 2016. The level of the solvency capital requirement is relatively high due to the high bonus potentials in Alm. Brand Liv og Pension, which had a bonus rate of 20.1 at 31 December 2016.

Solvency II legislation provides the option of including the loss-absorbing effect of a deferred tax asset in the calculation of the capital requirement. Alm. Brand has decided to make use of this option in the calculation of the capital requirements of the two insurance companies. The deferred tax asset at 31 December 2016 served to reduce the capital requirements for Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension A/S by DKK 257 million and DKK 38 million, respectively.

Banking activities

Alm. Brand Bank A/S applies the Danish Financial Supervisory Authority's 8+ method for calculating the adequate total capital. The calculation according to the 8+ method is based on 8% of the total risk exposure amount plus a Pillar 2 add-on for risks not assessed to be covered by the Pillar 1 requirement.

In the credit area, the Pillar 2 add-on covers exposures representing more than 2% of the total capital and credit risk concentration on industries and individual exposures, respectively. Moreover, a Pillar 2 add-on is calculated on weak exposures representing less than 2% of the total capital.

In addition to the specified add-ons in the credit area, the bank reserves a Pillar 2 add-on for agricultural and commercial exposures, for mortgage deeds as well as for the private customer portfolio.

The calculation of adequate total capital in respect of market risk and operational risk is also consistent with the Danish Financial Supervisory Authority's 8+ method. For a more detailed review of all add-ons applied in the determination of the adequate total capital, see the bank's risk disclosure for 2016, which is available at almbrand.dk/risiko.

The banking group had a solvency ratio of 18.1 at 31 December 2016. The individual solvency need was 12.4%, providing an excess coverage of 5.7 percentage points.

Capital target

Alm. Brand aims to consistently maintain a solid and adequate total capital in order to always be able to take care of the group's customers.

The capital target produces a capital requirement which is substantially higher than the required statutory minimum capital and the companies' capital requirements. The capital target reflects that the group's capital resources should be sufficiently robust to be able to absorb a number of external events, while ensuring that the group is still be able to carry on its business. Such events could be situations involving extreme weather conditions or changes in the economic climate having a material adverse effect on the bank's loans and advances. Furthermore, the group should be sufficiently robust to be able to absorb major structural declines in equity prices and changed interest rate levels.

The capital target was updated in the fourth quarter of 2016. The new capital rules under Solvency II legislation and the phase-in of the combined capital buffer requirement for banks have made it necessary for the group to reassess its capital target. Solvency II legislation has increased the excess solvency coverage, which has also become more volatile. It has been necessary for Alm. Brand Bank to increase the capital target as a result of the new buffer requirements. The updated capital target has been structured so as to still ensure that Alm. Brand will be able to absorb a 1:200 year loss event and still be solvent.

The capital target for the insurance group is calculated as 40% of gross premiums in Non-life Insurance plus 8% of life insurance provisions.

Alm. Brand Bank's capital target has been updated to take into account the gradual phase-in of the combined capital buffer requirement. This means that the capital target is raised from a minimum of 16% to a minimum of 19% of the total risk exposure amount. In addition, the excess coverage relative to the individual solvency need plus the phased-in combined capital buffer requirement must be at least 2%.

The capital targets for the companies of the group have been determined so as to ensure that the companies

individually can absorb a 1:200 year loss event and still be able to carry on their business. As the Alm. Brand Group is exposed to a variety of different risks in the insurance group and the banking group, respectively, a diversification between these risks is factored in at group level. The diversification reflects that, with a certain probability, major credit losses in the bank will not crystallise at the same time as major expenses in the insurance company to cover e.g. weather-related claims. The diversification effect is assessed at DKK 300 million.

In 2014, an add-on was included in the capital target specifically related to the extraordinary risk associated with the winding-up bank. The add-on has been calculated at 13% of the bank's winding-up loans including the exposure to the mortgage deeds sold by the bank to Alm. Brand Forsikring A/S in 2014. It was not deemed necessary to change this add-on in connection with this update of the capital target.

The internal capital target calculated at 31 December 2016 was DKK 4,428 million, corresponding to an excess coverage for the group of DKK 1,287 million, against DKK 762 million at 31 December 2015. After proposed dividends and the expected share buyback programme, the excess coverage was DKK 156 million.

Capital target

| DKKm | Capital target at 31 December 2016 | DKKm | Distributable total capital component at 31 December 2016 |
|--|---------------------------------------|---|--|
| Non-life Insurance (40% of gross premiums) | 2,011 | Shareholders' equity | 5,200 |
| Life and Pension (8% of life insurance provisions) | 997 | Tax assets | -188 |
| Banking (19% of total risk exposure amount) | 1,425 | Profit and risk margins | 368 |
| Alm. Brand A/S add-on, winding-up portfolio (13% of net lending) | 295 | Share buyback programme, outstanding | -64 |
| Diversification effect | -300 | Tier 2 capital | 399 |
| Capital target, total | 4,428 | Distributable total capital of the group | 5,715 |
| Excess relative to internal capital target | | | 1,287 |
| Proposed dividend | | | 831 |
| Proposed share buyback programme | | | 300 |

Corporate governance

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 is generally consistent with the recommendations.

60%

of the share capital is held by Alm. Brand af 1792 fmba.

Alm. Brand af 1792 is an association whose members are Alm. Brand Forsikring's customers. Five of the eight shareholder-elected members of the Board of Directors are nominated by the principal shareholder.

Composition and organisation of the Board of Directors

Alm. Brand af 1792 fmba holds almost 60% of the share capital of Alm. Brand A/S, and five of the eight board members elected by the shareholders are nominated by the principal shareholder. The other shareholder-elected board members are independent, as they 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 fmba. These members have been elected from among the members of the board of representatives of Alm. Brand af 1792 fmba in accordance with the association's rules.

No information is provided about the recommended candidates' background, qualifications and the criteria for recruitment ahead of the annual general meeting. Information about e.g. the board members' other executive positions and directorships as well as their special qualifications is provided in the financial statements. As regards new candidates, information on other executive positions and directorships, etc. is also provided in the complete proposals sent to shareholders ahead of the annual general meeting.

Alm. Brand deviates from the recommendations on corporate governance, as less than half of the members of the Board of Directors elected by the shareholders are independent. Moreover, Alm. Brand's articles of association define no retirement age for members of the Board of Directors, as the rules of procedure of the Board of Directors specify a retirement age for the individual members of 70 years.

Management believes that the principal shareholder and the other shareholders have identical interests in the company.

Board committees

The Board of Directors has set up two board committees (the audit committee and the remuneration committee). The Chairman and the Deputy Chairman of the Board of Directors, who are not considered to be independent, are members of these committees. The majority of the committee members are thus not independent. This is not in compliance with the corporate governance recommendations, but the Board of Directors has made this choice in order to ensure a strong focus on the work of the committees.

Board committees

Audit committee

Anette Eberhard
(Chairman)

Jørgen Hesselbjerg Mikkelsen

Jan Skytte Pedersen

Remuneration committee

Jørgen Hesselbjerg Mikkelsen
(Chairman)

Jan Skytte Pedersen

Anette Eberhard

Susanne Larsen
(Employee representative)

A detailed description of the duties of the committees, the members of the committees, meeting frequency, etc. is available on Alm. Brand's website under almbrand.dk/corporategovernance. The Board of Directors has not found it necessary to set up a nomination committee, as the majority of the members of the Board of Directors are elected by the principal shareholder.

When selecting and nominating the independent candidates, Alm. Brand complies with the recommendation to take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender, and the Board of Directors also obtains external assistance when selecting the independent candidates.

Governing bodies

In compliance with Danish legislation, Alm. Brand A/S and the group's subsidiaries have a two-tier management system with a board of directors and a management board. A detailed presentation of the members of the Board of Directors and the Management Board of Alm. Brand A/S is provided in the section "Board of Directors". The responsibilities and duties of the Board of Directors and the Management Board are defined in the rules of procedure of the Board of Directors.

The Board of Directors consists of eight members elected by the shareholders in general meeting and four members elected by the employees. Of the 12 board members, eight are male and four are female. The age, seniority, other directorships and special qualifications of the board members are set forth in the list of directorships on [pages 59-63](#). Ebbe Castella, Karen Sofie Hansen-Hoek and Anette Eberhard are considered to be independent, as they do not also serve on the board of the company's principal shareholder.

When nominating new members for the Board of Directors, the Board of Directors emphasises that as a whole the following qualifications are represented: general management experience, experience from the Alm. Brand Group's

customer segments, experience in auditing and accounting matters, particularly in relation to membership of the audit committee, and insight into legal matters, insight into financial matters and general insight into IT matters.

The Board of Directors reviews its overall qualifications and work procedures once a year. The Chairman of the Board of Directors is responsible for the review. The results of the review will form part of the work of the Board of Directors going forward.

The Board of Directors held 10 meetings in 2016.

For additional information on the group's management and organisational structures, see almbrand.dk/ledelsesstruktur.

Remuneration policy

Alm. Brand's remuneration policy is available on the group's website. Among other things, the remuneration policy contains information about the group's share-based remuneration. Additional information about the remuneration of the Board of Directors, the Management Board and material risk takers is provided in [note 29](#) to the financial statements. For additional information, go to almbrand.dk/corporategovernance.

In 2015, the group complied with the remuneration policy described in the 2015 financial statements, and in 2016 it complied with the remuneration policy adopted for 2016.

Board of Directors

Board members receive a fixed annual remuneration reflecting the scope of the board work and the responsibility related to serving on the board.

In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.

Pursuant to the corporate governance recommendations, the remuneration paid to the board members for the current financial year must be approved by the shareholders in general meeting. The Board of Directors believes that it is sufficient that the shareholders approve the remuneration paid to the Board of Directors in respect of the past financial year when approving the financial statements and that the Chairman of the Board of Directors explains the expected remuneration payable to the Board of Directors for the current financial year.

Management Board

The members of the Management Board are remunerated by way of a salary which is intended to be competitive with similar positions in the financial sector. In addition to this salary, the company provides a pension contribution, and the remuneration also includes a company car, paid telephone subscription and other customary salary substitutes.

As part of the fixed salary, a share option scheme was set up for the Management Board in 2012. The scheme ended on 31 March 2016. The Management Board received a total of 101,271 share options in 2016, representing an aggregate value of DKK 599,569 at the date of grant, of which DKK 399,713 was related to the 2015 financial year. A share-based remuneration programme was established with effect from 1 July 2016, and on 5 December 2016 a total of 7,493 shares were granted at price of DKK 367,250 for the second half of 2016. The award of shares by way of share-based remuneration takes place in the months of June and December, respectively.

In 2016, the Management Board received remuneration in a total amount of DKK 8.7 million including the value of share options and share-based remuneration. The remuneration of the Management Board is adjusted every two years.

Other executives and specialists

In the first three months of the year, the group's senior management team (ABKO) received share options as part of their salary. As from 1 July 2016, a small part of the fixed salary will be disbursed by way of shares.

For a number of years, the group 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 individuals and forms an integral part of the general salary adjustment for this group of employees.

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

Financial reporting process

The primary responsibility for Alm. Brand'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 reviews, at least once a year, the group's:

- Organisation
- Plans and budgets
- Risk of fraud
- 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. 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.

The group's internal audit department reports directly to the Board of Directors 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 financial statements and the financial reporting.

Board remuneration

| DKK | Remuneration | Audit committee | Special remuneration for | | | Total |
|--|--------------|-----------------|---------------------------|-------------------------------|---------------------|---------|
| | | | Alm. Brand Forsikring A/S | Alm. Brand Liv og Pension A/S | Alm. Brand Bank A/S | |
| Jørgen Hesselbjerg Mikkelsen (Chairman)* | 700,000 | 40,000 | 40,000 | 40,000 | 160,000 | 980,000 |
| Jan Skytte Pedersen (Deputy Chairman)* | 450,000 | 40,000 | 40,000 | 40,000 | 160,000 | 730,000 |
| Boris Nørgaard Kjeldsen* | 250,000 | | | | 160,000 | 410,000 |
| Henrik Christensen* | 250,000 | | 40,000 | 40,000 | | 330,000 |
| Anette Eberhard | 250,000 | 80,000 | 40,000 | 40,000 | 160,000 | 570,000 |
| Ebbe Castella | 250,000 | | | | 160,000 | 410,000 |
| Per Viggo Hasling Frandsen* | 250,000 | | 40,000 | 40,000 | | 330,000 |
| Karen Sofie Hansen-Hoeck | 250,000 | | | | | 250,000 |
| Helle Låsby Frederiksen* | 250,000 | | | | | 250,000 |
| Lars Christiansen* | 250,000 | | | | | 250,000 |
| Susanne Larsen | 250,000 | | | | | 250,000 |
| Brian Egested* | 250,000 | | | | | 250,000 |

In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.

* Member of the board of Alm. Brand af 1792 fmba. Alm. Brand af 1792 fmba pays 10% of the remuneration.

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 group's organisation with respect to:

- Risk measurement and risk management
- Financial reporting and budget organisation
- Internal controls
- Rules on powers of procuration
- Segregation of functions or compensatory measures
- 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
- a discussion of management reporting with a view to preventing/identifying and responding to fraudulent financial reporting.

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

Risk management and 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 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 holding business responsibility in Non-life Insurance, Life and Pension and Banking.

The finance department is responsible for preparing full-year and interim financial statements. The key financial reporting contributors are the non-life and life insurance actuarial departments, 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 management's review is prepared by the Investor Relations department on the basis of input from a number of departments, including the Finance department and the individual business areas.

For a more detailed review of the risks facing the group, see [note 50](#) Capital and risk management and [note 51](#) Significant accounting estimates, assumptions and uncertainties.

Whistleblower scheme

In 2014, the group set up a whistleblower scheme as part of the implementation of new legislation. Employees can use the whistleblower scheme to anonymously report violations or suspected violations of financial legislation committed by employees or board members of Alm. Brand's companies. The whistleblower scheme is anchored in the Compliance department. No reports were received through the scheme in 2016.

Non-compliance with corporate governance recommendations

Alm. Brand is subject to the recommendations prepared by the Committee on Corporate Governance, which are available at corporategovernance.dk. On an annual basis, the Board of Directors of Alm. Brand A/S considers all recommendations applying the "comply or explain" principle. A complete account of Alm. Brand's corporate governance is provided at almbrand.dk/cgreport.

The group deviates from the corporate governance recommendations in the following respects:

- The retirement age of board members is not defined in the company's articles of association. See "Composition and organisation of the Board of Directors"
- At least half of the board members elected by the shareholders are not independent. See "Composition and organisation of the Board of Directors"
- The majority of the members of the board committees cannot be deemed to be independent. See "Board committees"
- The Board of Directors has not set up a nomination committee. See "Board committees"
- The selection and nomination of candidates for the Board of Directors is only partially carried out on the basis of the recommended criteria
- The qualifications of candidates for the Board of Directors are not described to the recommended extent ahead of the general meeting
- The remuneration of the Board of Directors is approved for the past year and not for the current financial year. See "Remuneration policy – Board of Directors"

Moreover, Alm. Brand has chosen not to set up contingency procedures for takeover bids, as it believes that takeover bids are not realistic given the current ownership structure. Also, the retirement age of board members is set out in the rules of procedure of the Board of Directors and not in the articles of association.

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.

Shareholder information

The total distribution to shareholders through dividend payouts and share buybacks in 2016 was the largest in company history.

Alm. Brand paid a dividend of DKK 3 per share in May, lifting the total return to 18%.

The total distribution is composed of dividends in the amount of DKK 521 million and a share buyback programme of up to DKK 400 million. The Board of Directors recommends a total distribution of up to DKK 1.1 billion for the 2016 financial year.

Share price performance

Alm. Brand's shares gained 12% in 2016, appreciating from DKK 48.40 to DKK 54.00 at 31 December 2016. In addition, Alm. Brand paid a dividend of DKK 3 per share in May, lifting the total return to 18%.

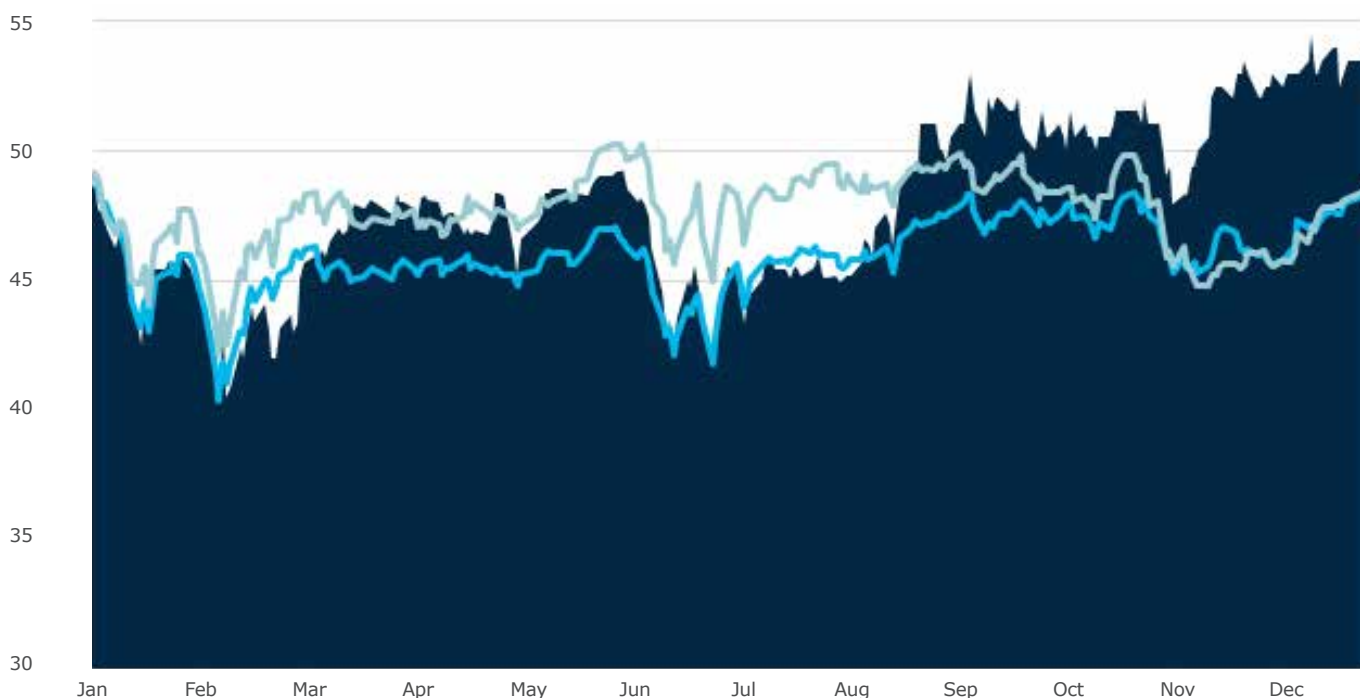
Financial market turbulence persisted throughout 2016. In particular, the UK Brexit referendum in June had an adverse effect on the price and turnover of Alm. Brand's shares. Over the summer, the share price rose again, for the first time passing the DKK 50 price mark in August. The price continued to climb towards the end of the year, but fell ahead of the US presidential election in November.

The turbulent markets reflected particularly in the MidCap and C20 indices throughout the year, and the rate of increase in the price of Alm. Brand's shares significantly outperformed the share indices in the fourth quarter. Both the MidCap index and the C20 index reported minor declines of 1% and 2%, respectively, in 2016.

Most transactions involving Alm. Brand's shares are effected on Nasdaq Copenhagen, which accounts for just over 99% of total transactions in Alm. Brand shares.

- Alm. Brand
- OMX CPH MidCap index
- OMX CPH 20 CAP

Share price performance in 2016



Share capital and ownership

In December 2015, the group launched a share buyback programme of up to DKK 400 million, which ran until the end of February 2017. At 31 December 2016, shares for a total amount of DKK 338 million (trading day) had been bought back under the share buyback programme.

Moreover, Alm. Brand hedges the group's share option scheme by buying and selling shares. At 31 December 2016, Alm. Brand's portfolio of treasury shares amounted to 5.8% of the share capital.

Alm. Brand A/S is a subsidiary of the limited liability association Alm. Brand af 1792 fmba, whose ownership interest of 59.2% makes it the only shareholder with a shareholding of more than 5%. Alm. Brand has a total of some 13,000 registered shareholders, and the free float is just over 40%.

Danish investors make up the largest group of shareholders, increasing slightly in 2016 to currently represent 70% of the free float shares. US-based investors accounted for 13%, which is more or less unchanged from the level reported in recent years. Although the UK remains a difficult market for small and medium-sized companies like Alm. Brand, the proportion of UK-based investors grew in 2016.

Share information

| | |
|---------------|----------------------------------|
| Listed on | Nasdaq Copenhagen |
| ISIN code | DK001525034-4 |
| Ticker | ALMB |
| No. of shares | 1,735,000,000 |
| Denomination | DKK 10 per share |
| Share capital | DKK 1,735,000,000 |
| Votes | One vote per share |
| Index | Nasdaq Copenhagen's MidCap index |

Small institutional investors and private investors accounted for just over 80% of the free float, which overall was on a par with the 2015 level. The proportion of private investors decreased slightly, while small institutionals now account for a greater share.

Geographical breakdown



Excluding Alm. Brand af 1792 fmba

Investor breakdown



Excluding Alm. Brand af 1792 fmba

Dividend policy

Alm. Brand's total capital relative to its capital target determines the distribution potential. In an ordinary year, the group's results will lead to an accumulation of capital exceeding its capital target. The overall distribution by the group is aligned with planned activities, including investments, special risks or a shortfall in earnings.

Alm. Brand seeks to distribute stable ordinary dividends and adjusts its total capital by way of share buybacks and/or extraordinary dividends as and when deemed necessary.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 3.50 per share.

This makes for a total cash dividend payout of about DKK 830 million. In addition, a new share buyback programme for up to DKK 300 million will be expected for the period until end-March 2018. Accordingly, the total distribution based on the 2016 results amounts to DKK 1.1 billion, equivalent to a payout ratio of 137%.

Investor relations

Management gives priority to meeting regularly with investors and analysts. In connection with the release of financial statements, management and the IR department go on roadshows. In 2016, they held roadshows in the UK, the United States and a number of countries in western Europe. In addition, professional and private investors in Denmark and internationally are addressed by holding a number of one-on-one meetings and presentations for large and small audiences.

Investor presentations used in connection with roadshows, conferences, seminars, etc. are available from the company's website. Moreover, presentations of the company's full-year and interim financial statements are webcast. Danish-speaking investors also have the opportunity to subscribe to the Alm. Brand Investor electronic newsletter, which is distributed regularly.

Company announcements and other investor-relevant news are available on Alm. Brand's website. The website also lists the analysts covering Alm. Brand and their recommendations. This information is almbrand.dk/ir.

Shareholdings

| | No. of shares held 1 Jan 2016 | | No. of shares held 31 Dec 2016 | |
|--------------------------------------|-------------------------------|-----------------|--------------------------------|-----------------|
| | Personally | Related parties | Personally | Related parties |
| Board of Directors | | | | |
| Jørgen H. Mikkelsen, Chairman | 138,869 | 139,939 | 138,869 | 139,939 |
| Jan Skytte Pedersen, Deputy Chairman | 12,000 | - | 12,000 | - |
| Boris Nørgaard Kjeldsen | 8,651 | - | 8,651 | - |
| Henrik Christensen | - | 12,750 | - | 12,750 |
| Karen Sofie Hansen-Hoeck | - | - | - | - |
| Anette Eberhard | - | - | 3,249 | - |
| Per Viggo Hasling Frandsen | 31,000 | - | 31,000 | - |
| Ebbe Castella | 2,000 | - | 2,000 | - |
| Helle Låsby Frederiksen | 2,400 | - | 2,400 | - |
| Lars Christiansen | 277 | - | 277 | - |
| Susanne Larsen | 10,548 | - | 9,978 | - |
| Brian Egested | 110 | - | 110 | - |
| Management Board | | | | |
| Søren Boe Mortensen | 34,697 | 1,173 | 42,190 | 1,173 |

In aggregate, the Management Board has unexercised share options entitling the holders to acquire up to 563,285 shares.

Financial ratios

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|-------|-------|-------|-------|-------|
| Earnings per share | 1.7 | 1.1 | 2.0 | 3.1 | 5.0 |
| Price/NAV | 0.55 | 0.91 | 1.17 | 1.60 | 1.73 |
| Net asset value per share | 25 | 27 | 28 | 30 | 31 |
| Price at 31 December | 14.00 | 24.10 | 32.70 | 48.40 | 54.00 |
| Avg. daily turnover (DKKm) | 2.2 | 5.2 | 6.8 | 6.6 | 6.9 |
| Market capitalisation (DKKbn) | 2.4 | 4.2 | 5.7 | 8.3 | 9.0 |
| Ordinary dividend per share | | | 0.50 | 1.50 | 1.50 |
| Extraordinary dividend per share | | | | 1.50 | 3.50 |
| Share buyback (DKKm) | | | | 27 | 309 |

Financial calendar 2017

| | |
|------------------|--|
| 1 March 2017 | Release of Annual Report 2016 |
| 26 April 2017 | Annual general meeting |
| 27 April 2017 | Shares traded ex dividend |
| 1 May 2017 | Payment of dividend |
| 18 May 2017 | Release of interim report, Q1 2017 |
| 24 August 2017 | Release of interim report, H1 2017 |
| 15 November 2017 | Release of interim report, Q1-Q3 2017 |

Alm. Brand observes a three-week silent period before the release of full-year and interim reports. The annual general meeting of Alm. Brand A/S will be held at 11.00 a.m. on Wednesday, 26 April 2017, at Comwell Conference Center Copenhagen, Center Boulevard 5, 2300 Copenhagen S, Denmark.

Board of Directors



Jørgen Hesselbjerg Mikkelsen (Chairman)

Farm owner, born in 1954 and appointed in 1994.



Jan Skytte Pedersen (Deputy Chairman)

Manager, born in 1956 and appointed in 2010.



Boris Nørgaard Kjeldsen

Managing Director, born in 1959 and appointed in 2003.

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into legal matters
Insight into economic matters
General insight into IT matters

DIRECTORSHIPS

DIRECTORSHIPS IN THE ALM. BRAND GROUP

Chairman

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

Deputy Chairman

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

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Member

Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

Member

Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

Member

Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP

Chairman

Danish Agro A.m.b.a
Danish Agro Byggecenter A/S
Danish Agro Shoppen A/S
Danish Agro Finance A/S

Chairman

Ringvejens Autolakereri A/S
Herm. Rasmussen A/S
Herm. Rasmussen A/S
Malerforretning
Herm. Rasmussen A/S
Erhvervsejendomme
Eniig a.m.b.a

Chairman

DATEA A/S
Kemp & Lauritzen A/S

Member

DanPiglet A/S
Hesselbjerg Agro A/S
Vilomix International Holding A/S
Dava International Holding A/S
Dan Agro Holding A/S
Landbrug & Fødevarer f.m.b.a.
Dava Machinery Holding A/S

Member

Herm. Rasmussen A/S Holding
Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab
Den Selvejende Institution
Silkeborg Fodbold College
Michael Sørensens Stiftelse
Ejendomsselskabet
Lysbroengen P/S

Member

Benny Johansen & Sønner A/S
DAVISTA Komplementar-selskab A/S
DAVISTA K/S
Ejendomsforeningen Danmark (deputy chairman)
Arkitektgruppen A/S
Rådhuspladsen A/S

MANAGER

J.H.M. Holding 2010 ApS

Herm. Rasmussen A/S Holding
Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

DADES A/S (Managing Director)
DAVISTA Komplementar-selskab A/S
DAVISTA K/S
ApS LS nr.909
Rådhuspladsen A/S



Henrik Christensen

Attorney, born in 1950 and appointed in 2010.



Karen Sofie Hansen-Hoeck

Manager, born in 1965 and appointed in 2013.



Anette Eberhard

Manager, born in 1961 and appointed in 2015.

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into legal matters
Insight into economic matters

General management experience
Experience in audit and accounting matters
Insight into legal matters
Insight into economic matters
Insight into financial matters

General management experience
Experience from the Alm. Brand Group's customer segments
Experience in audit and accounting matters
Insight into financial matters
Insight into economic matters
General insight into IT matters

DIRECTORSHIPS

DIRECTORSHIPS
IN THE ALM. BRAND
GROUP

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Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond
Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

Member
Alm. Brand A/S

Member
Alm. Brand A/S
Alm. Brand Bank A/S
Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

DIRECTORSHIPS OUTSIDE
THE ALM. BRAND GROUP

Chairman
H. Klindt Petersen A/S
T.E. Gruppen A/S
Torben Enggaard Holding A/S
Anelin A/S
Rosenkrantz A/S

Chairman
Madkulturen (institution under the Ministry of Environment and Food of Denmark)

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Member
Boulevarden 1 Invest ApS
Musikhuset Jomfru Ane Gade ApS

Member
Sirius Company A/S
Danske Spil A/S
Softline A/S
Fairtrade Mærket Danmark Fonden

Member
Sundhedsfagliges Ejendoms-aktieselskab
Pensionkassen for sundhedsfaglige

MANAGER

Advokatanpartsselskabet
Henrik Christensen
Boulav 8 ApS
VGH Nr. 277 ApS
Akola Aps

Fooducer ApS
Retail Network ApS

EKF Danmarks Eksportkredit
Eksport Kredit Finansiering A/S

PARTNER

Fortuna I/S
Gråbrødrehus I/S

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Per Viggo Hasling Frandsen

Estate owner, born in 1952 and appointed in 2009.



Ebbe Castella

Manager, born in 1950 and appointed in 2013.



Helle Låsby Frederiksen (employee representative)

Staff association chair, born in 1962 and appointed in 2010.

SPECIAL QUALIFICATIONS

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into financial matters
Insight into economic matters

General management experience
Experience from the Alm. Brand Group's customer segments
Insight into financial matters
Insight into economic matters

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS IN THE ALM. BRAND GROUP

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Chairman
Personaleforeningen i Alm. Brand Forsikring A/S

Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond
Alm. Brand Forsikring A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

Member
Alm. Brand A/S
Alm. Brand Bank A/S

Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP

Chairman
"Sia" Per Frandsen Latvia

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MANAGER

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PARTNER

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Lars Christiansen
(employee representative)

Commercial insurance agent, born in 1971 and appointed in 2013.



Susanne Larsen
(employee representative)

Financial adviser, born in 1964 and appointed in 2006.



Brian Egested
(employee representative)

Head of department, born in 1969 and appointed in 2014.

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

Experience from the Alm. Brand Group's customer segments
Insight into financial matters

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS
IN THE ALM. BRAND
GROUP

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Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

Member
Alm. Brand A/S

Member
Alm. Brand A/S
Alm. Brand af 1792 fmba
Alm. Brand Fond

DIRECTORSHIPS OUTSIDE
THE ALM. BRAND GROUP

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MANAGER

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PARTNER

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Management Board



Søren Boe Mortensen

Chief Executive Officer, born in 1955, employed with Alm. Brand since 1987 and appointed to the Management Board in 1998. Chief Executive Officer since December 2001.

DIRECTORSHIPS

DIRECTORSHIPS
IN THE ALM. BRAND
GROUP

Chairman

Alm. Brand Forsikring A/S
Forsikringselskabet Alm. Brand Liv og
Pension A/S
Alm. Brand Præmieservice A/S
Alm. Brand Ejendomsinvest A/S
Pensionskassen under Alm. Brand A/S
(appointed by the Management Board)

Member

Alm. Brand Bank A/S

CHIEF EXECUTIVE OFFICER

Alm. Brand A/S
Alm. Brand af 1792 fmba

DIRECTORSHIPS OUTSIDE
THE ALM. BRAND GROUP

Chairman

Forsikringsakademiet A/S
Forsikring & Pension
Fonden F&P Formidling
Forsikringsorganisationernes
Fællessekretariat F.M.B.A

Financial statements, *group*

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Statement by the Board of Directors and the Management Board

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 2016.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises. The parent company financial statements have been prepared in accordance with the Danish Financial Business Act. The management's review has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and

fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2016 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year ended 31 December 2016.

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

We recommend the annual report for adoption at the annual general meeting.

Management Board

Copenhagen, 1 March 2017

Søren Boe Mortensen
Chief Executive Officer

Board of Directors

Copenhagen, 1 March 2017

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Henrik Christensen

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Boris Nørgaard Kjeldsen

Lars Christiansen

Brian Egested

Helle Låsby Frederiksen

Susanne Larsen

Auditors' reports

Endorsement on the consolidated financial statements and the parent company financial statements

Opinion

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 2016, which comprise income and comprehensive income statement, balance sheet, statement of changes in equity and notes to the financial statements, including accounting policies, for the group as well as for the parent company, and cash flow statement and consolidated segment reporting. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 31 December 2016 and of its financial performance and cash flows for the financial year 1 January to 31 December 2016 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises.

Also, in our opinion, the parent company financial statements give a true and fair view of the financial position of the parent company at 31 December 2016 and of its financial performance for the financial year 1 January 2016 to 31 December 2016 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 international standards on auditing with respect to the planning and performance of the audit.

We have planned and performed the audit so as to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement. We participated in auditing all critical audit areas.

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

Statement on the management's review

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statements and the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Internal auditor

Copenhagen, 1 March 2017

Poul-Erik Winther

Group Chief Auditor

Independent auditor's audit report

To the shareholders of Alm. Brand A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2016, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement and consolidated segmental reporting. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed debt securities, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2016 and of its financial performance and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed debt securities.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31

December 2016 and of its financial performance for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Business Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Loans and advances and guarantees

Establishing indication of impairment of loans and advances is connected with material uncertainty and very much based on Management's estimates. Due to the materiality of these estimates and the size of the loans and advances in the Group, the audit of the impairment loss relating to loans and advances is considered a key audit matter. Loans and advances in the Group amount to DKK 5,106m at 31 December 2016 and the impairment loss amounted to DKK 50m (of which DKK 26m is recognised as part of value adjustments) in 2016.

The principles of calculating impairment losses are specified in the accounting policies, and Management has given a detailed description of the treatment of credit risks and the review for impairment in notes 8, 28, 50 and 51.

In 2016, the auditors had to pay special attention to lending to farmers because of the economic depression in the agricultural community.

The areas subject to a substantial degree of estimation thus requiring increased attention in an audit are:

- Assessment of whether loans and advances are subject to impairment
- Measurement of security included in the calculation of impairment losses
- Management estimates.

How the matter was addressed in the audit

Based on our risk assessment, we have reviewed the impairment losses and assessed the method applied as well as the underlying assumptions according to the description of the key audit matter.

Our audit procedures also specifically included:

- Gathering of audit evidence and test of processes and key controls.
- Test of the procedures and methodology applied to the areas requiring a substantial degree of estimation based on our knowledge of and experience with the industry.
- Evaluation of changes in the assumptions concerning the areas requiring a substantial degree of estimation compared to tendencies in the industry and historical observations.
- Risk-based test of commitments to ensure that a timely identification of loans and advances that may be impaired is made, and that loans and advances subject to impairment are sufficiently written down. In this connection, we focused especially on the agricultural sector.
- Test of management estimates with special focus on consistency and Management's objectivity, including with special focus on documentation of the sufficiency of management estimates relating to agriculture.

Provisions for insurance contracts

Provisions for insurance contracts in the Group amount to DKK 20,092m at 31 December 2016.

The calculation of provisions for insurance contracts covering provisions for unearned premiums, life insurance and claims outstanding is complex and very much affected by accounting estimates based on Management's assessments and assumptions of future events. Consequently, the audit of the provisions for insurance contracts is considered a key audit matter.

We have assessed that the most material risks are attributable to the following parameters that are either particularly complex and/or very much affected by Management's assessments:

- Changes in assumptions, including
 - Mortality and disability
 - Expectations for future inflation
 - Direct and indirect costs for settlement of the claims outstanding provisions
- Changes in the methods and models applied
- Best estimate of future value of claims
- Calculation of contribution and risk margins
- Yield curve plus volatility adjustment
- Uncertainty especially relating to long-tailed lines of business
- Management's margins in addition to the actuarial estimates in order to address the risk of adverse development in claims

All matters may have a significant effect on the measurement of the provisions for insurance contracts and the technical result. Consequently, there is a risk that the provisions for insurance contracts are not measured in accordance with correct models and realistic assumptions.

Management has specified the principles of calculating claims outstanding provisions in "Accounting policies" [note 52](#), and related material accounting estimates, assumptions and uncertainty in [note 51](#). The insurance provisions are specified in [note 14](#).

Based on our risk assessment and in cooperation with our internationally qualified actuaries, we have reviewed the measurement of the provisions for insurance contracts prepared by Management, and we have assessed the methods and models applied as well as the assumptions in accordance with the description of risk.

Our audit procedures included, among others:

- Assessment and test of controls related to the processes of claims handling and the recognition and measurement of provisions for known claims.
- Test of the models applied based on our knowledge of and experience with the industry, including review of any changes compared to last year.
- Evaluation of changes in the assumptions compared to tendencies in the industry and historical observations.
- Evaluation of the applied parameters mentioned in the description of risk, including an assessment compared to historical data and market practice, e.g. mortality and disability.
- Recalculation of provisions for insurance contracts on selected non-life insurance industries through the application of data on the total portfolio of insurance policies, including an assessment of Management's margins.
- Recalculation of life insurance provisions for all insurance policies within a selected yield group.
- Sample review of the calculation of provisions on selected specific life insurance policies.
- Review and assessment of assumptions for calculating provisions for unearned premiums, risk and contribution margins.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Management's responsibility for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed debt securities, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act. Management is also responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as

a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Copenhagen, 1 March 2017

Henrik Wellejus
State-Authorised
Public Accountant

Martin Juul Møller
State-Authorised
Public Accountant

Balance sheet

| DKKm | Note | Group | |
|---|------|---------------|---------------|
| | | 2016 | 2015 |
| Assets | | | |
| Intangible assets | 1 | 0 | 0 |
| Owner-occupied properties | 2 | 698 | 675 |
| Deferred tax assets | 3 | 217 | 425 |
| Investments in associates | 4 | 0 | 12 |
| Reinsurers' share of insurance contracts | 5 | 183 | 242 |
| Current tax assets | 6 | 10 | 10 |
| Other assets | 7 | 1,612 | 1,442 |
| Loans and advances | 8 | 5,106 | 5,643 |
| Investment properties | 9 | 905 | 939 |
| Investment assets | 10 | 25,205 | 25,064 |
| Balances due from credit institutions and central banks | 11 | 705 | 323 |
| Cash in hand and balances at call | | 218 | 306 |
| Total assets | | 34,859 | 35,081 |
| Liabilities and equity | | | |
| Share capital | | 1,735 | 1,735 |
| Reserves, retained earnings, etc. | | 2,634 | 2,909 |
| Proposed dividend | | 831 | 521 |
| Consolidated shareholders' equity | 12 | 5,200 | 5,165 |
| Subordinated debt | 13 | 574 | 574 |
| Provisions for insurance contracts | 14 | 20,092 | 19,427 |
| Other provisions | 15 | 31 | 34 |
| Issued bonds | 16 | 0 | 5 |
| Other liabilities | 17 | 1,315 | 1,167 |
| Deposits | 18 | 6,953 | 7,999 |
| Payables to credit institutions and central banks | 19 | 694 | 710 |
| Total liabilities and equity | | 34,859 | 35,081 |
| Contingent liabilities, guarantees and lease agreements | 39 | | |
| Collateral security | 40 | | |
| Related parties | 41 | | |
| Fair value and classification of financial assets, liabilities and instruments | 42 | | |
| Return on financial instruments | 43 | | |
| Offsetting | 44 | | |
| Financial instruments by term to maturity | 45 | | |
| Credit risk | 46 | | |
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| Capital and risk management | 50 | | |
| Significant accounting estimates, assumptions and uncertainties | 51 | | |
| Accounting policies | 52 | | |

Income and comprehensive income statement

| DKKm | Note | Group | |
|---|------|---------------|---------------|
| | | 2016 | 2015 |
| Income statement | | | |
| Income | | | |
| Premium income | 20 | 6,309 | 6,372 |
| Interest income, etc. | 21 | 819 | 915 |
| Fee income, etc. | 22 | 134 | 128 |
| Other income from investment activities | 23 | 4 | 1 |
| Profit/loss from investments in associates | 24 | 5 | 1 |
| Other income | 25 | 223 | 179 |
| Total income | | 7,494 | 7,596 |
| Costs | | | |
| Claims expenses | 26 | -4,004 | -4,121 |
| Interest expenses | 27 | -128 | -206 |
| Other expenses from investment activities | | -77 | -58 |
| Impairment of loans, advances and receivables, etc. | 28 | -23 | -253 |
| Acquisition costs and administrative expenses | 29 | -1,475 | -1,377 |
| Total costs | | -5,707 | -6,015 |
| Profit/loss from business ceded | 30 | -251 | -249 |
| Change in life insurance provisions | 31 | -817 | -121 |
| Change in collective bonus potential | | 0 | -45 |
| Value adjustments | 32 | 434 | -499 |
| Tax on pension investment returns | 33 | -120 | -22 |
| Profit/loss before tax | | 1,033 | 645 |
| Tax | 34 | -207 | -121 |
| Profit/loss after tax | | 826 | 524 |
| Earnings per share, DKK | | 5.0 | 3.1 |
| Diluted earnings per share, DKK | | 4.9 | 3.1 |
| Comprehensive income | | | |
| Profit/loss for the year | | 826 | 524 |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | 0 | 0 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Revaluation of owner-occupied properties | | 9 | 7 |
| Transferred to collective bonus potential | | -9 | -7 |
| Tax on other comprehensive income | | 0 | 0 |
| Total other comprehensive income | | 0 | 0 |
| Total comprehensive income | | 826 | 524 |
| Technical result, Non-life Insurance | 35 | | |
| Realised result, Life and Pension | 36 | | |
| Segment reporting, Non-life Insurance | 37 | | |
| Segment reporting, Banking | 38 | | |

Statement of changes in equity

| DKKm | Share capital | Contingency funds | Other provisions | Retained profit | Proposed dividend | Shareholders' equity |
|--|---------------|-------------------|------------------|-----------------|-------------------|----------------------|
| Shareholders' equity at 1 January 2015 | 1,735 | 182 | 1,215 | 1,628 | 87 | 4,847 |
| Change in accounting policies | | | | -62 | | -62 |
| Adjusted shareholders' equity at 1 January 2015 | 1,735 | 182 | 1,215 | 1,566 | 87 | 4,785 |
| Changes in shareholders' equity 2015: | | | | | | |
| Profit/loss for the year | | | | 524 | 0 | 524 |
| Reversed revaluation of owner-occupied properties | | | | 7 | | 7 |
| Transferred to collective bonus potential | | | | -7 | | -7 |
| Tax on changes recognised in equity | | | | 0 | | 0 |
| Comprehensive income | 0 | 0 | 0 | 524 | 0 | 524 |
| Proposed dividend | | | | -521 | 521 | -521 |
| Dividende distributed | | | | 2 | -87 | 2 |
| Share option scheme, issuance | | | | 5 | | 5 |
| Share option scheme, exercise | | | | 4 | | 4 |
| Purchase and sale of treasury shares | | | | -68 | | -68 |
| Changes in shareholders' equity | 0 | 0 | 0 | -54 | 434 | -54 |
| Shareholders' equity at 31 December 2015 | 1,735 | 182 | 1,215 | 1,512 | 521 | 5,165 |
| Shareholders' equity at 1 January 2016 | 1,735 | 182 | 1,215 | 1,512 | 521 | 5,165 |
| Change in accounting policies | | | | 5 | | 5 |
| Adjusted shareholders' equity at 1 January 2016 | 1,735 | 182 | 1,215 | 1,517 | 521 | 5,170 |
| Changes in shareholders' equity 2016: | | | | | | |
| Profit/loss for the year | | | | 826 | 0 | 826 |
| Reversed revaluation of owner-occupied properties | | | 9 | 9 | | 18 |
| Transferred to collective bonus potential | | | -9 | -9 | | -18 |
| Tax on changes recognised in equity | | | | 0 | | 0 |
| Comprehensive income | 0 | 0 | 0 | 826 | 0 | 826 |
| Proposed dividend | | | | -831 | 831 | 0 |
| Dividende distributed | | | | 21 | -521 | -500 |
| Share option scheme, issuance | | | | 1 | | 1 |
| Share option scheme, exercise | | | | 34 | | 34 |
| Purchase and sale of treasury shares | | | | -321 | | -321 |
| Capital movements in subsidiaries | | | | -10 | | -10 |
| Changes in shareholders' equity | 0 | 0 | 0 | -280 | 310 | 30 |
| Shareholders' equity at 31 December 2016 | 1,735 | 182 | 1,215 | 1,237 | 831 | 5,200 |

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.

Cash flow statement

| DKKm | Group | |
|---|---------------|---------------|
| | 2016 | 2015 |
| Cash flows from operating activities | | |
| Premiums received | 6,177 | 6,257 |
| Claims paid | -4,136 | -4,280 |
| Interest, dividends, etc. received | 778 | 880 |
| Interest paid | -38 | -95 |
| Payments concerning reinsurance | -220 | -157 |
| Fee income received | 160 | 155 |
| Fee income paid | -26 | -27 |
| Expenses paid | -1,401 | -1,498 |
| Tax on pension investment returns paid | -67 | -168 |
| Other ordinary income received | 223 | 179 |
| Taxes paid/received | -63 | 2 |
| Cash flows from operating activities | 1,387 | 1,248 |
| Change in investment placement (net) | | |
| Acquisition of intangible assets, furniture, equipment, etc. | -160 | -147 |
| Properties acquired or converted | 104 | -5 |
| Sale/acquisition of equity investments | -380 | 359 |
| Sale/repayment of mortgage deeds and loans | 512 | 317 |
| Sale/purchase of bonds | 685 | 1,650 |
| Change in investment placement (net) | 761 | 2,174 |
| Change in financing | | |
| Sale/purchase of treasury shares and cost related to share issue | -287 | -64 |
| Dividende distributed | -500 | -85 |
| Sale/acquisition of subsidiaries (change in minority interests) | 0 | 0 |
| Share options | 1 | 5 |
| Change in issued bonds | -5 | -16 |
| Change in deposits | -1,046 | -2,569 |
| Change in payables to credit institutions | -17 | -1,262 |
| Change in other liabilities | 0 | -3 |
| Change in financing | -1,854 | -3,994 |
| Change in cash and cash equivalents | 294 | -572 |
| Cash and cash equivalents beginning of year | 629 | 1,201 |
| Cash and cash equivalents, year end | 923 | 629 |
| Cash and cash equivalents comprise the following items: | | |
| Cash in hand and balances at call | 218 | 306 |
| Balances due from credit institutions and central banks, see note 1.1 | 127 | 155 |
| Balances due from credit institutions and central banks, see note 1.1 | 578 | 168 |
| | 923 | 629 |

Segment reporting, balance sheet

| DKKm | Note | | | | | | 2016 | |
|---|------|---------------|---------------|---------------|------------|------------------|---------------|--|
| | | Non-life | Life | Banking | Other | Elimi- nation | Total | |
| Assets | | | | | | | | |
| Intangible assets | 1 | 0 | 0 | 0 | 0 | | 0 | |
| Owner-occupied properties | 2 | 0 | 0 | 0 | 0 | 698 | 698 | |
| Deferred tax assets | 3 | 69 | 21 | 156 | 0 | -29 | 217 | |
| Investments in associates | 4 | 0 | 0 | 0 | 0 | | 0 | |
| Reinsurers' share of insurance contracts | 5 | 170 | 13 | 0 | 0 | | 183 | |
| Current tax assets | 6 | 0 | 0 | 101 | 18 | -109 | 10 | |
| Other assets | 7 | 647 | 134 | 973 | 62 | -204 | 1,612 | |
| Loans and advances | 8 | 1,329 | 0 | 3,777 | 0 | 0 | 5,106 | |
| Investment properties | 9 | 16 | 1,580 | 7 | 0 | -698 | 905 | |
| Investment assets | 10 | 8,363 | 12,611 | 3,807 | 439 | -15 | 25,205 | |
| Balances due from credit institutions and central banks | 11 | 0 | 0 | 688 | 17 | | 705 | |
| Cash in hand and balances at call | | 214 | 35 | 190 | 16 | -237 | 218 | |
| Total assets | | 10,808 | 14,394 | 9,699 | 552 | -594 | 34,859 | |
| Liabilities and equity | | | | | | | | |
| Share capital | | 0 | 0 | 0 | 1,735 | | 1,735 | |
| Reserves, retained earnings, etc. | | 1,647 | 683 | 1,521 | -2,322 | 1,105 | 2,634 | |
| Proposed dividend | | 940 | 165 | 0 | 831 | -1,105 | 831 | |
| Consolidated shareholders' equity | 12 | 2,587 | 848 | 1,521 | 244 | 0 | 5,200 | |
| Subordinated debt | 13 | 149 | 120 | 175 | 250 | -120 | 574 | |
| Provisions for insurance contracts | 14 | 7,239 | 12,853 | 0 | 0 | | 20,092 | |
| Other provisions | 15 | 23 | 0 | 8 | 0 | | 31 | |
| Deferred tax liabilities | 3 | 0 | 0 | 0 | 29 | -29 | 0 | |
| Current tax liabilities | 6 | 98 | 11 | 0 | 0 | -109 | 0 | |
| Other liabilities | 17 | 625 | 312 | 449 | 29 | -100 | 1,315 | |
| Deposits | 18 | 0 | 0 | 7,189 | 0 | -236 | 6,953 | |
| Payables to credit institutions and central banks | 19 | 87 | 250 | 357 | 0 | 0 | 694 | |
| Total liabilities and equity | | 10,808 | 14,394 | 9,699 | 552 | -594 | 34,859 | |
| 2015 | | | | | | | | |
| Assets | | | | | | | | |
| Intangible assets | 1 | 0 | 0 | 0 | 0 | | 0 | |
| Owner-occupied properties | 2 | 0 | 0 | 0 | 0 | 675 | 675 | |
| Deferred tax assets | 3 | 144 | 58 | 250 | 0 | -27 | 425 | |
| Investments in associates | 4 | 0 | 0 | 12 | 0 | | 12 | |
| Reinsurers' share of insurance contracts | 5 | 227 | 15 | 0 | 0 | | 242 | |
| Current tax assets | 6 | 0 | 0 | 156 | 15 | -161 | 10 | |
| Other assets | 7 | 616 | 149 | 822 | 56 | -201 | 1,442 | |
| Loans and advances | 8 | 1,588 | 0 | 4,299 | 0 | -244 | 5,643 | |
| Investment properties | 9 | 18 | 1,451 | 145 | 0 | -675 | 939 | |
| Investment assets | 10 | 8,463 | 12,149 | 4,169 | 300 | -17 | 25,064 | |
| Balances due from credit institutions and central banks | 11 | 0 | 0 | 301 | 22 | 0 | 323 | |
| Cash in hand and balances at call | | 58 | 86 | 262 | 0 | -100 | 306 | |
| Total assets | | 11,114 | 13,908 | 10,416 | 393 | -750 | 35,081 | |
| Liabilities and equity | | | | | | | | |
| Share capital | | 0 | 0 | 0 | 1,735 | | 1,735 | |
| Reserves, retained earnings, etc. | | 1,750 | 719 | 1,495 | -2,180 | 1,125 | 2,909 | |
| Proposed dividend | | 1,000 | 125 | 0 | 521 | -1,125 | 521 | |
| Consolidated shareholders' equity | 12 | 2,750 | 844 | 1,495 | 76 | 0 | 5,165 | |
| Subordinated debt | 13 | 149 | 120 | 175 | 250 | -120 | 574 | |
| Provisions for insurance contracts | 14 | 7,397 | 12,030 | 0 | 0 | | 19,427 | |
| Other provisions | 15 | 24 | 0 | 10 | 0 | | 34 | |
| Deferred tax liabilities | 3 | 0 | 0 | 0 | 27 | -27 | 0 | |
| Issued bonds | 16 | 0 | 0 | 0 | 5 | | 5 | |
| Current tax liabilities | 6 | 152 | 9 | 0 | 0 | -161 | 0 | |
| Other liabilities | 17 | 619 | 388 | 278 | 35 | -153 | 1,167 | |
| Deposits | 18 | 0 | 0 | 8,099 | 0 | -100 | 7,999 | |
| Payables to credit institutions and central banks | 19 | 23 | 517 | 359 | 0 | -189 | 710 | |
| Total liabilities and equity | | 11,114 | 13,908 | 10,416 | 393 | -750 | 35,081 | |

Segment reporting, income statement

| DKKm | Note | | | | | | 2016 | |
|---|------|---------------|---------------|-------------|------------|------------------|---------------|--|
| | | Non-life | Life | Banking | Other | Elimi- nation | Total | |
| Income | | | | | | | | |
| Premiums | 20 | 5,028 | 1,281 | 0 | 0 | | 6,309 | |
| Interest income, etc. | 21 | 251 | 322 | 242 | 7 | -3 | 819 | |
| Fee income, etc. | 22 | 0 | 0 | 188 | 0 | -54 | 134 | |
| Other income from investment activities | 23 | 1 | 58 | 6 | 0 | -61 | 4 | |
| Profit/loss from investments in associates | 24 | 0 | 0 | 5 | 0 | 0 | 5 | |
| Other income | 25 | 0 | 0 | 223 | 0 | | 223 | |
| Total income | | 5,280 | 1,661 | 664 | 7 | -118 | 7,494 | |
| Costs | | | | | | | | |
| Claims expenses | 26 | -3,034 | -970 | 0 | 0 | | -4,004 | |
| Interest expenses | 27 | -75 | -5 | -38 | -13 | 3 | -128 | |
| Other expenses from investment activities | | -33 | -45 | 0 | -53 | 54 | -77 | |
| Impairment of loans, advances and receivables, etc. | 28 | 0 | 0 | -23 | 0 | | -23 | |
| Acquisition costs and administrative expenses | 29 | -851 | -101 | -584 | 0 | 61 | -1,475 | |
| Total costs | | -3,993 | -1,121 | -645 | -66 | 118 | -5,707 | |
| Profit/loss from business ceded | 30 | -247 | -4 | 0 | 0 | | -251 | |
| Change in life insurance provisions | 31 | 0 | -826 | 0 | 0 | 9 | -817 | |
| Value adjustments | 32 | -73 | 494 | 25 | -3 | -9 | 434 | |
| Tax on pension investment returns | 33 | 0 | -120 | 0 | 0 | | -120 | |
| Profit/loss before tax | | 967 | 84 | 44 | -62 | 0 | 1,033 | |
| Tax | 34 | -204 | -10 | -8 | 15 | | -207 | |
| Profit/loss after tax | | 763 | 74 | 36 | -47 | 0 | 826 | |
| 2015 | | | | | | | | |
| Income | | | | | | | | |
| Premiums | 20 | 5,061 | 1,311 | 0 | 0 | | 6,372 | |
| Interest income, etc. | 21 | 274 | 347 | 294 | 2 | -2 | 915 | |
| Fee income, etc. | 22 | 0 | 0 | 189 | 0 | -61 | 128 | |
| Other income from investment activities | 23 | 1 | 55 | 7 | 0 | -62 | 1 | |
| Profit from investments in associates | 24 | 0 | 0 | 1 | 0 | 0 | 1 | |
| Other income | 25 | 0 | 0 | 179 | 0 | | 179 | |
| Total income | | 5,336 | 1,713 | 670 | 2 | -125 | 7,596 | |
| Costs | | | | | | | | |
| Claims expenses | 26 | -3,018 | -1,103 | 0 | 0 | | -4,121 | |
| Interest expenses | 27 | -95 | -5 | -95 | -13 | 2 | -206 | |
| Other expenses from investment activities | | -30 | -50 | 0 | -39 | 61 | -58 | |
| Impairment of loans, advances and receivables, etc. | 28 | 0 | 0 | -253 | 0 | | -253 | |
| Acquisition costs and administrative expenses | 29 | -807 | -84 | -548 | 0 | 62 | -1,377 | |
| Total costs | | -3,950 | -1,242 | -896 | -52 | 125 | -6,015 | |
| Profit/loss from business ceded | 30 | -245 | -4 | 0 | 0 | | -249 | |
| Change in life insurance provisions | 31 | 0 | -121 | 0 | 0 | | -121 | |
| Change in profit margin | | 0 | -52 | 0 | 0 | 7 | -45 | |
| Value adjustments | 32 | -189 | -193 | -105 | -5 | -7 | -499 | |
| Tax on pension investment returns | 33 | 0 | -22 | 0 | 0 | | -22 | |
| Profit/loss before tax | | 952 | 79 | -331 | -55 | 0 | 645 | |
| Tax | 34 | -214 | -2 | 82 | 13 | | -121 | |
| Profit/loss after tax | | 738 | 77 | -249 | -42 | 0 | 524 | |

For additional segment information, see note 37 Segment reporting, Non-life Insurance and note 38 Segment reporting, Banking.

Overview of notes

Notes with reference

| | | |
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| 20 | Premium income | → |
| 21 | Interest income, etc. | → |
| 22 | Fee income, etc. | → |
| 23 | Other income from investment activities | → |
| 24 | Profit/loss from investments in associates | → |
| 25 | Other income | → |
| 26 | Claims expenses | → |
| 27 | Interest expenses | → |
| 28 | Impairment of loans, advances and receivables, etc. | → |
| 29 | Acquisition costs and administrative expenses | → |
| 30 | Profit/loss from business ceded | → |
| 31 | Change in life insurance provisions | → |
| 32 | Value adjustments | → |
| 33 | Tax on pension investment returns | → |
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Notes without reference

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Notes

| DKK m | 2016 | | | 2015 | | | | |
|---|----------|--------------|-------|------------|----------|--------------|-------|------------|
| | Non-life | Life Banking | Other | Total | Non-life | Life Banking | Other | Total |
| Note 1 Intangible assets | | | | | | | | |
| Software | 0 | | | 0 | 0 | | | 0 |
| Intangible assets, year-end | 0 | | | 0 | 0 | | | 0 |
| <i>Software</i> | | | | | | | | |
| Cost, beginning of year | 323 | | | 323 | 323 | | | 323 |
| Cost, year-end | 323 | | | 323 | 323 | | | 323 |
| Accumulated amortisation and impairment, beginning of year | -323 | | | -323 | -323 | | | -323 |
| Accumulated amortisation and impairment, year-end | -323 | | | -323 | -323 | | | -323 |
| Software, year-end | 0 | | | 0 | 0 | | | 0 |
| There were no changes in intangible assets in 2015. | | | | | | | | |
| Note 2 Owner-occupied properties | | | | | | | | |
| Cost, beginning of year | | | | 620 | | | | 1,092 |
| Additions during the year | | | | 17 | | | | 0 |
| Disposals during the year, reclassified to investment properties | | | | 0 | | | | -472 |
| Cost, year-end | | | | 637 | | | | 620 |
| Accumulated revaluations, beginning of year | | | | 74 | | | | 67 |
| Revaluations during the year | | | | 10 | | | | 13 |
| Reversal of prior year revaluation through shareholders' equity | | | | -1 | | | | -6 |
| Accumulated revaluations, year-end | | | | 83 | | | | 74 |
| Accumulated depreciation and impairment, beginning of year | | | | -19 | | | | -106 |
| Accumulated depreciation and impairment, beginning of year, reclassified from investment properties | | | | -3 | | | | 0 |
| Impairment for the year | | | | 0 | | | | -2 |
| Reversal of prior year impairment through profit or loss | | | | 0 | | | | 4 |
| Depreciation on disposal | | | | 0 | | | | 85 |
| Accumulated depreciation and impairment, year end | | | | -22 | | | | -19 |
| Owner-occupied properties, year-end | | | | 698 | | | | 675 |
| Restated value, beginning of year | | | | 675 | | | | 1,053 |
| Additions during the year | | | | 14 | | | | 0 |
| Disposals during the year | | | | 0 | | | | -387 |
| Value adjustment recognised through the income statement | | | | 0 | | | | 2 |
| Value adjustment recognised through shareholders' equity | | | | 9 | | | | 7 |
| Restated value, year-end | | | | 698 | | | | 675 |
| Average return, office property | | | | 5.62% | | | | 5.65% |

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.

The fair value of owner-occupied properties is calculated according to the yield method on the basis of the operating return on the individual property and a return requirement linked to the individual property which reflects the transactions taking place in the property market in the period up to the date of valuation. The resulting fair value is adjusted for deposits, rent above/below market rent, rent on vacant premises and deferred maintenance works and necessary refurbishment expenses.

The methods applied in the calculation of fair values in the current year are unchanged.
The profit for the period includes an unrealised gain of DKK 2 million in value adjustments.

The most important non-observable inputs used in the fair value calculation are:
Required rate of return 5.67% (2015: 5.65 %)
Rent per m² DKK 1,545 (2015: DKK 1,544)

An increase in the required rate of return would result in a decline in the fair value of the properties, while an increase in rent per square metre relative to the assumptions applied would result in an increase in the fair value of the properties. A general increase in rent per square metre in the areas in which the group's investment properties are located would, all other things being equal, result in a slight decline in the return requirement.

| DKKm | 2016 | | | | | 2015 | | | | |
|---|-----------|-----------|------------|------------|------------|------------|-----------|------------|------------|------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 3 Deferred tax assets | | | | | | | | | | |
| Deferred tax assets, beginning of year | 144 | 58 | 250 | -27 | 425 | 219 | -8 | 300 | -25 | 486 |
| Change in accounting policies | | -1 | | | -1 | 18 | 0 | 0 | 0 | 18 |
| Prior-year adjustment | -23 | | 14 | 0 | -9 | -53 | 25 | 23 | 0 | -5 |
| Change for the year | -52 | 8 | -108 | -2 | -154 | -40 | -3 | -73 | -2 | -118 |
| tax on pension investment return | 0 | -44 | 0 | 0 | -44 | 0 | 44 | 0 | 0 | 44 |
| Deferred tax assets, year-end | 69 | 21 | 156 | -29 | 217 | 144 | 58 | 250 | -27 | 425 |
| Deferred tax on contingency funds | 0 | 0 | 0 | -40 | -40 | 0 | 0 | 0 | -40 | -40 |
| Deferred tax on intangible assets, etc. | 58 | 0 | 1 | 3 | 62 | 74 | 0 | 2 | 4 | 80 |
| Deferred tax on real estate | 0 | 21 | 0 | 0 | 21 | 0 | 14 | 1 | 0 | 15 |
| Deferred tax on goodwill | 4 | 0 | 0 | 0 | 4 | 21 | 0 | 0 | 0 | 21 |
| Deferred tax on lease assets | 0 | 0 | 16 | 0 | 16 | 0 | 0 | 48 | 0 | 48 |
| Deferred tax on provisions | 7 | 0 | 9 | 3 | 19 | 49 | 0 | 5 | 1 | 55 |
| Deferred tax on losses carried forward | 0 | 0 | 130 | 5 | 135 | 0 | 0 | 194 | 8 | 202 |
| Deferred tax assets, year-end | 69 | 21 | 156 | -29 | 217 | 144 | 14 | 250 | 13 | 381 |
| Tax on pension investment return | | 0 | | | 0 | | | | | |

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group had total tax assets of some DKK 226 million at 31 December 2016, of which DKK 271 million has been capitalised. Deferred tax in the amount of DKK 40 million has been offset against contingency funds.

Note 4 Investments in associates

Investments in associates

| | | | | | | | | |
|---|--|----------|--|----------|--|-----------|--|-----------|
| Cost, beginning of year | | 13 | | 13 | | 39 | | 39 |
| Additions | | 0 | | 0 | | 0 | | 0 |
| Disposals | | -13 | | -13 | | -26 | | -26 |
| Cost, year-end | | 0 | | 0 | | 13 | | 13 |
| Revaluations and impairment, beginning of year | | -1 | | -1 | | 5 | | 5 |
| Dividends | | 0 | | 0 | | -2 | | -2 |
| Profit/loss for the year | | 5 | | 5 | | 1 | | 1 |
| Revaluation due to change in ownership interest | | -4 | | -4 | | -5 | | 0 |
| Revaluations and impairment, year-end | | 4 | | 4 | | 4 | | 4 |
| Investment in associates, year-end | | 4 | | 4 | | 17 | | 17 |

Investments in associates are made up of Cibor Invest A/S, in which Alm. Brand holds an ownership interest of 43%. The ownership was sold in 2016.

| Key figures of associates | Net income | Profit/loss for the year | Total assets | Total liabilities |
|---------------------------|------------|--------------------------|--------------|-------------------|
| Cibor Invest A/S | 1 | 0 | 180 | 138 |

| DKK M | 2016 | | | | 2015 | | | | | |
|---|------------|-----------|---------|-------|------------|------------|-----------|---------|-------|------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 5 Reinsurers' share of insurance contracts | | | | | | | | | | |
| Reinsurers' share of life insurance provisions | 0 | 13 | | | 13 | 0 | 13 | | | 13 |
| Reinsurers' share of premium provisions | 7 | 0 | | | 7 | 7 | 0 | | | 7 |
| Reinsurers' share of claims provisions | 163 | 0 | | | 163 | 220 | 2 | | | 222 |
| Reinsurers' share of insurance contracts, year-end | 170 | 13 | | | 183 | 227 | 15 | | | 242 |
| <i>Reinsurers' share of life insurance provisions</i> | | | | | | | | | | |
| Beginning of year | | 13 | | | 13 | | 21 | | | 21 |
| Change for the year | | 0 | | | 0 | | -8 | | | -8 |
| Year-end | | 13 | | | 13 | | 13 | | | 13 |
| <i>Reinsurers' share of premium provisions</i> | | | | | | | | | | |
| Beginning of year | 7 | 0 | | | 7 | 7 | 0 | | | 7 |
| Premiums ceded | -317 | -2 | | | -319 | -323 | -8 | | | -331 |
| Payments to reinsurers | 317 | 2 | | | 319 | 323 | 8 | | | 331 |
| Discounting | 0 | 0 | | | 0 | 0 | 0 | | | 0 |
| Year-end | 7 | 0 | | | 7 | 7 | | | | 7 |
| <i>Reinsurers' share of claims provisions</i> | | | | | | | | | | |
| Beginning of year | 220 | 2 | | | 222 | 291 | 3 | | | 294 |
| Claims ceded | 51 | -13 | | | 38 | 64 | -22 | | | 42 |
| Payments received from reinsurers | -108 | 11 | | | -97 | -135 | 21 | | | -114 |
| Discounting | 0 | 0 | | | 0 | 0 | 0 | | | 0 |
| Year-end | 163 | 0 | | | 163 | 220 | 2 | | | 222 |

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.

| | | | | | | | | | | |
|---|------------|------------|------------|-----------|-----------|-------------|-----------|------------|-----------|-----------|
| Note 6 Current tax assets | | | | | | | | | | |
| Current tax assets, beginning of year | -152 | -9 | 156 | 15 | 10 | -166 | -18 | 150 | 43 | 9 |
| Prior-year tax adjustment | 24 | -1 | -13 | 0 | 10 | 53 | -7 | -23 | 0 | 23 |
| Tax paid/received in respect of prior years | 128 | 10 | -143 | -15 | -20 | 113 | 25 | -127 | -43 | -32 |
| Tax paid during the year | 55 | 7 | 0 | 1 | 63 | 22 | 7 | 1 | 0 | 30 |
| Estimated tax on profit/loss for the year | -153 | -18 | 101 | 17 | -53 | -174 | -16 | 155 | 15 | -20 |
| Current tax assets, year-end | -98 | -11 | 101 | 18 | 10 | -152 | -9 | 156 | 15 | 10 |

| DKK M | 2016 | | | | 2015 | | | | | |
|---|------------|------------|------------|-----------|--------------|------------|------------|------------|-----------|--------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 7 Other assets | | | | | | | | | | |
| Receivables from policyholders | 130 | 28 | 0 | 0 | 158 | 119 | 15 | 0 | 0 | 134 |
| Receivables from insurance brokers | 3 | 0 | 0 | 0 | 3 | 6 | 0 | 0 | 0 | 6 |
| Receivables from insurance companies | 0 | 1 | 0 | 0 | 1 | 0 | 2 | 0 | 0 | 2 |
| Receivables from group enterprises | 160 | 1 | 0 | 13 | 1 | 155 | 0 | 0 | 10 | 0 |
| Other receivables | 26 | 3 | 0 | 33 | 32 | 30 | 15 | 0 | 34 | 49 |
| Positive market value of derivatives, gross | 73 | 0 | 22 | 0 | 94 | 75 | 0 | 35 | 0 | 106 |
| Furniture and equipment, computers, cars, etc. | 1 | 0 | 821 | 0 | 822 | 6 | 0 | 655 | 0 | 661 |
| Other assets | 151 | 0 | 88 | 0 | 239 | 123 | 0 | 86 | 0 | 209 |
| Pensionskassen under Alm. Brand A/S | | | | 12 | 12 | 0 | 0 | | 11 | 11 |
| Interest receivable | 85 | 84 | 35 | 4 | 208 | 85 | 101 | 39 | 1 | 224 |
| Prepayments | 18 | 17 | 7 | 0 | 42 | 17 | 16 | 7 | 0 | 40 |
| Other assets, year-end | 647 | 134 | 973 | 62 | 1,612 | 616 | 149 | 822 | 56 | 1,442 |
| <i>Furniture and equipment, computers, cars, etc.</i> | | | | | | | | | | |
| Cost, beginning of year | 36 | | 919 | | 955 | 100 | | 679 | | 779 |
| Additions during the year | 0 | | 473 | | 473 | 3 | | 353 | | 356 |
| Disposals during the year | -1 | | -219 | | -220 | -67 | | -113 | | -180 |
| Cost, year-end | 35 | | 1,173 | | 1,208 | 36 | | 919 | | 955 |
| Accumulated depreciation and impairment, beginning of year | -30 | | -264 | | -294 | -94 | | -160 | | -254 |
| Depreciation for the year | -5 | | -153 | | -158 | -2 | | -122 | | -124 |
| Impairment | | | | | 0 | | | | | 0 |
| Depreciation on disposals | 1 | | 65 | | 66 | 66 | | 18 | | 84 |
| Accumulated depreciation and impairment, year-end | -34 | | -352 | | -386 | -30 | | -264 | | -294 |
| Other balances regarding operating leases | | | 0 | | 0 | | | 0 | | 0 |
| Furniture and equipment, computers, cars, etc., year-end | 1 | | 821 | | 822 | 6 | | 655 | | 661 |
| Future minimum lease payments for assets held under operating leases | | | | | | | | | | |
| Term of 1 year or less | | | 196 | | 196 | | | 159 | | 159 |
| Term of 1-5 years | | | 170 | | 170 | | | 146 | | 146 |
| Term of 5 years or more | | | 0 | | 0 | | | 0 | | 0 |
| Total | | | 366 | | 366 | | | 305 | | 305 |
| Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S. | | | | | | | | | | |
| Present value of commitment, beginning of year | | | | | -106 | | | | | -120 |
| Interest expenses | | | | | 0 | | | | | 0 |
| Benefits paid | | | | | 9 | | | | | 10 |
| Actuarial gains/losses from financial assumptions | | | | | 4 | | | | | 4 |
| Actuarial gains/losses from demographic assumptions | | | | | -2 | | | | | 0 |
| Actuarial gains/losses from experience adjustments | | | | | -5 | | | | | 0 |
| Present value of commitment, year-end | | | | | -100 | | | | | -106 |
| Fair value of plan assets, beginning of year | | | | | 117 | | | | | 128 |
| Return on plan assets | | | | | 0 | | | | | 0 |
| Return on assets (excluding amounts recognised in net interest expenses) | | | | | 4 | | | | | -1 |
| Benefits paid | | | | | -9 | | | | | -10 |
| Extraordinary income | | | | | 0 | | | | | 0 |
| Fair value of plan assets, year-end | | | | | 112 | | | | | 117 |
| Present value of commitment | | | | | -100 | | | | | -106 |
| Fair value of plan assets | | | | | 112 | | | | | 117 |
| Net asset recognised in the balance sheet | | | | | 12 | | | | | 11 |
| Net interest income | | | | | 0 | | | | | 0 |
| Extraordinary income | | | | | 0 | | | | | 0 |
| Costs recognised in the income statement | | | | | 0 | | | | | 0 |

| DKKm | 2016 | 2015 |
|---|------|------|
| <i>Remeasurement of defined benefit pension plans</i> | | |
| Return on plan assets excluding amounts recognised in net interest expenses | 4 | -1 |
| Actuarial gains/losses from financial assumptions | 4 | 4 |
| Actuarial gains/losses from demographic assumptions | -2 | 0 |
| Actuarial gains/losses from experience adjustments | -5 | 0 |
| Recognised in other comprehensive income | 1 | 3 |
| Recognised in income statement and other comprehensive income | 1 | 3 |

The plan assets are exclusively comprised of cash and cash equivalents (less than DKK 1 million) and bonds valued at the official market price.

The pension obligations are calculated on the basis of the following actuarial assumptions

| | | |
|---|-------|--------|
| The 10-year point on the discount curve at the beginning of the financial year | 0.18% | -0.12% |
| Expected rate of inflation | 1.00% | 1.00% |
| <i>Average remaining life expectancy in years for pension benefit recipients*</i> | | |
| Male | 7.8 | 8.2 |
| Female | 6.5 | 6.8 |

*) Based on the Danish Financial Supervisory Authority's updated longevity benchmark

The pension fund is a defined benefit disbursement-only fund. There are no contribution-paying members, which means that the members are either retired themselves or retired spouses. All payments are regular life benefits originally determined as a percentage of the members' pensionable salary. The benefits are adjusted twice annually. The adjustment rate is determined as the development in the net price index less 1% p.a.

The pension fund is managed by Alm. Brand A/S, which pays all costs related thereto. Auditing expenses and regulatory fees and taxes are paid by the pension fund. Alm. Brand A/S has undertaken to pay pension contribution determined by the pension fund's chief actuary and any extraordinary contributions required by 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. The pension fund is managed by a board of directors comprised of eight members, half of whom are elected by an among the voting members of the pension fund.

The pension fund is exposed to risks such as life expectancy risk, interest rate risk and inflation risk.

The calculation of the pension obligations is based on life expectancy. If this life expectancy changes, the value of the pension obligations will increase or decline depending on whether the life expectancy rises or falls. If the actual lifetime exceeds the life expectancy, the pension fund will incur an expense. Conversely, a shorter actual lifetime will result in income for the pension fund.

The obligations of the pension fund are calculated on the basis of expected benefits discounted by a discount curve published by the Danish Financial Supervisory Authority with correction for the applicable rules on benefit adjustment. The EIOPA discount curve including any positive volatility adjustment will be used as from 1 January 2016. An interest rate change will affect the value of both assets and liabilities. The difference in this effect constitutes the interest rate risk.

The benefits are adjusted by the development in the net price index less 1 percentage point. Provisions are calculated on the basis of an expected annual increase in the net price index of 2%. If the expected future development in the net price index changes, the value of pension provisions will change as well. If the actual adjustment exceeds the expected adjustment, the pension fund will incur an expense. Conversely, a lower adjustment rate will equal an income.

The actuarial assumptions underlying the determination of the pension obligation comprise discount rate, expected rate of inflation and life expectancies. The sensitivity analysis below has been calculated on the basis of probable changes in the respective assumptions existing at the balance sheet date, while all other variables are maintained.

If the discount rate is 100 bps higher (lower), the pension obligations will decline by DKK 6 million (increase by DKK 7 million).

If the rate of inflation is 1 percentage point higher (lower), the pension obligations will increase by DKK 7 million (fall by DKK 6 million).

A 10% increase (decline) in mortality intensities will cause the average remaining lifetime to decline (increase) by 0.4 of a year for both men and women and cause the pension obligation to decline by DKK 5 million (increase by DKK 5 million).

The sensitivity analysis does not necessarily reflect the actual change in the obligations, as it is unlikely that changes in one assumption will occur isolated from changes in other assumptions. The present value of the pension obligations in the above sensitivity analysis is calculated in the same way as the calculation of the pension obligations recognised in the balance sheet.

The method used for the sensitivity analysis and the assumptions included therein are unchanged from prior years.

As the pension fund is a disbursement-only pension fund, no contributions are expected to be made to the scheme next year. The average weighted duration of the pension obligations at 31 December 2016 was 6.8 years (2015: 6.9 years).

| DKKm | 2016 | | | | 2015 | | | | | |
|---|--------------|--------------|--------------|-------|--------------|--------------|--------------|--------------|-------|--------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 8 Loans and advances | | | | | | | | | | |
| Loans and advances at fair value | 1,329 | | 194 | | 1,523 | 1,588 | | 228 | | 1,816 |
| Loans and advances at amortised cost | 0 | | 3,583 | | 3,583 | 0 | | 4,071 | | 3,827 |
| Loans and advances, year-end | 1,329 | | 3,777 | | 5,106 | 1,588 | | 4,299 | | 5,643 |
| <i>Loans and advances at fair value</i> | | | | | | | | | | |
| Mortgage deeds | 1,329 | | 194 | | 1,523 | 1,588 | | 228 | | 1,816 |
| Loans and advances at fair value, year-end | 1,329 | | 194 | | 1,523 | 1,588 | | 228 | | 1,816 |
| Of the year's total negative fair value adjustment of mortgage deeds of DKK 28 million (2015: negative adjustment of DKK 121 million), a negative amount of DKK 18 million was due to credit losses (2015: negative amount of DKK 29 million). At 31 December 2016, the accumulated impairment writedowns on the bank's portfolio of mortgage deeds amounted to DKK 643 million (2015: DKK 710 million) | | | | | | | | | | |
| <i>Loans and advances at amortised cost</i> | | | | | | | | | | |
| Loans and advances | | | 4,757 | | 4,757 | | | 5,475 | | 5,475 |
| Leases | | | 36 | | 36 | | | 29 | | 29 |
| Total before impairment etc. | | | 4,793 | | 4,793 | | | 5,504 | | 5,504 |
| Impairment etc. | | | -1,211 | | -1,211 | | | -1,433 | | -1,433 |
| Loans and advances at amortised cost, year-end | | | 3,582 | | 3,582 | | | 4,071 | | 4,071 |
| <i>Gross investment in finance leases</i> | | | | | | | | | | |
| Term of 1 year or less | | | 19 | | 19 | | | 18 | | 18 |
| Term of 1-5 years | | | 21 | | 21 | | | 13 | | 13 |
| Term of 5 years or more | | | 0 | | 0 | | | 0 | | 0 |
| | | | 40 | | 40 | | | 31 | | 31 |
| Unearned financial income | | | -4 | | -4 | | | -2 | | -2 |
| Net investment in finance leases, year-end | | | 36 | | 36 | | | 29 | | 29 |
| <i>Net investment in finance leases</i> | | | | | | | | | | |
| Term of 1 year or less | | | 17 | | 17 | | | 17 | | 17 |
| Term of 1-5 years | | | 19 | | 19 | | | 12 | | 12 |
| Term of 5 years or more | | | 0 | | 0 | | | 0 | | 0 |
| Net investment in finance leases, year-end | | | 36 | | 36 | | | 29 | | 29 |
| Of which, any unguaranteed residual value | | | - | | - | | | - | | - |
| Impairment of finance leases | | | 0 | | 0 | | | 0 | | 0 |
| <i>Value of loans and advances for which there is an objective evidence of impairment</i> | | | | | | | | | | |
| <i>Individual assessment</i> | | | | | | | | | | |
| Loans and advances before impairment | | | 1,589 | | 1,589 | | | 2,019 | | 2,019 |
| Impairment etc. | | | -1,043 | | -1,043 | | | -1,246 | | -1,246 |
| Individual assessment, year-end | | | 546 | | 546 | | | 773 | | 773 |
| <i>Collective assessment</i> | | | | | | | | | | |
| Loans and advances before impairment | | | 2,619 | | 2,619 | | | 2,371 | | 2,371 |
| Impairment etc. | | | -168 | | -168 | | | -186 | | -186 |
| Collective assessment, year-end | | | 2,451 | | 2,451 | | | 2,185 | | 2,185 |
| Loans and advances after impairment, year-end | | | 2,997 | | 2,997 | | | 2,958 | | 2,958 |
| Note 9 Investment properties | | | | | | | | | | |
| Carrying amount, beginning of year | 18 | 1,451 | 145 | | 939 | 18 | 1,417 | 160 | | 542 |
| Additions during the year, property | 0 | 28 | 0 | | 14 | 0 | 0 | 21 | | 21 |
| Additions during the year, improvements | 0 | 0 | 0 | | 0 | 0 | 21 | 0 | | 21 |
| Reclassified from owner-occupied property | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | | 387 |
| Disposals during the year | 0 | 0 | -138 | | -138 | 0 | -6 | -35 | | -41 |
| Value adjustments during the year | -2 | 101 | 0 | | 90 | 0 | 19 | -1 | | 9 |
| Investment properties, year-end | 16 | 1,580 | 7 | | 905 | 18 | 1,451 | 145 | | 939 |
| Average return, office property | 7.40% | 5.64% | | | 5.69% | 7.03% | 5.95% | | | 6.22% |
| Average return, residential property | | 6.00% | | | 6.00% | | 6.00% | | | 6.00% |
| Total average return | 7.40% | 5.65% | | | 5.70% | 7.03% | 5.95% | | | 6.21% |

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.

Investment properties Non-life and Life and Pension

The fair value of investment properties is calculated according to the yield method on the basis of the operating return on the individual property and a return requirement linked to the individual property which reflects the transactions taking place in the property market in the period up to the date of valuation. The resulting fair value is adjusted for deposits, rent above/below market rent, rent on vacant premises and deferred maintenance works and necessary refurbishment expenses.

The methods applied in the calculation of fair values in the current year are unchanged.

The profit for the period includes an unrealised profit of DKK 90 million in Other income from investment activities.

The most important non-observable inputs used in the fair value calculation are:

Required rate of return 5.70% (2015: 6.21 %)

Rent per m² DKK 1,385 (2015: DKK 1,393)

An increase in the return requirement would result in a decline in the fair value of the properties, while an increase in rent per square metre relative to the assumptions applied would result in an increase in the fair value of the properties. A general increase in rent per square metre in the areas in which the group's investment properties are located would, all other things being equal, result in a slight decline in the return requirement.

Investment properties Banking

Investment property comprises single-family houses and rental property which are not expected to be sold within 12 months. Single-family houses are measured on the basis of valuations received from external appraisers. Rental property is measured on the basis of a cash flow model that takes into account a return requirement which is dependent on location, financial strength of tenants, lease terms and use etc. Rental property is supplemented by valuations received from external appraisers if the property is deemed to be difficult to sell. If the valuation of single-family houses are lowered by 15%, and the required rate of return on rental property is increased by 1 percentage point, the fair value would change by DKK 1 million.

| DKKm | 2016 | | | | 2015 | | | | Total | |
|--|--------------|---------------|--------------|------------|---------------|--------------|---------------|--------------|------------|---------------|
| | Non-life | Life | Banking | Other | Non-life | Life | Banking | Other | | |
| Note 10 Investment assets | | | | | | | | | | |
| Government bonds | 0 | 2,314 | 58 | 0 | 2,372 | 0 | 2,376 | 44 | 0 | 2,420 |
| Mortgage bonds | 7,798 | 7,968 | 3,472 | 436 | 19,674 | 8,215 | 7,533 | 3,865 | 297 | 19,910 |
| Other fixed-rate instruments | 350 | 418 | 55 | 0 | 823 | 0 | 278 | 46 | 0 | 324 |
| Other floating-rate instruments | 46 | 106 | 0 | 2 | 154 | 100 | 96 | 0 | 2 | 198 |
| Listed shares | 0 | 850 | 28 | 0 | 878 | 0 | 885 | 15 | 0 | 900 |
| Unlisted shares | 8 | 575 | 194 | 1 | 778 | 7 | 516 | 199 | 1 | 723 |
| Positive market value of derivative financial instruments, gross | 151 | 380 | 0 | 0 | 526 | 125 | 465 | 0 | 0 | 589 |
| Other | 10 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 | 0 |
| Investment assets, year-end | 8,363 | 12,611 | 3,807 | 439 | 25,205 | 8,463 | 12,149 | 4,169 | 300 | 25,064 |

The group's holding of listed and unlisted shares had a market value of DKK 1,085 million at 31 December 2016 (2015: DKK 1,110 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 2,522 million at 31 December 2016 (2015: DKK 2,453 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. For an overview of the net position in derivative financial instruments, see note 44 Offsetting.

Note 11 Balances due from credit institutions and central banks

| | | | | | | | | | | |
|--|----------|----------|------------|-----------|------------|----------|----------|------------|-----------|------------|
| Balances at notice with central banks | 0 | 0 | 5 | 0 | 5 | 0 | 0 | 14 | 0 | 14 |
| Balances due from credit institutions | 0 | 0 | 683 | 17 | 700 | 0 | 0 | 287 | 22 | 309 |
| Balances due from credit institutions and central banks, year-end | 0 | 0 | 688 | 17 | 705 | 0 | 0 | 301 | 22 | 323 |

By term to maturity:

| | | | | | | | | | | |
|--|---|---|-----|----|-----|---|---|-----|----|-----|
| Balances at call | 0 | 0 | 127 | 0 | 127 | 0 | 0 | 155 | 0 | 155 |
| Up to and including 3 months | 0 | 0 | 561 | 17 | 578 | 0 | 0 | 146 | 22 | 168 |
| Over 3 months and up to and including 1 year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Year-end | 0 | 0 | 688 | 17 | 705 | 0 | 0 | 301 | 22 | 323 |

| DKKm | 2016 | | | 2015 | | | | |
|---|----------|--------------|-------|-------|----------|--------------|-------|-------|
| | Non-life | Life Banking | Other | Total | Non-life | Life Banking | Other | Total |
| <i>Receivables in connection with genuine purchase and resale transactions:</i> | | | | | | | | |
| Balances due from credit institutions and central banks | | 266 | | 266 | | 82 | | 82 |
| Other debtors | | 0 | | 0 | | 0 | | 0 |
| Year-end | | 266 | | 266 | | 82 | | 82 |

Note 12 Consolidated shareholders' equity

| | | |
|--------------------------------|--------------|--------------|
| Share capital, year-end | 1,735 | 1,735 |
|--------------------------------|--------------|--------------|

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 1 792 fmba, Midtermolen 7, 21 00 Copenhagen Ø

| DKKm | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------------|-------|-------|-------|-------|-------|
| Share capital, beginning of year | 1,735 | 1,735 | 1,735 | 1,735 | 1,735 |
| Share capital, year-end | 1,735 | 1,735 | 1,735 | 1,735 | 1,735 |

Reference is made to the statement of changes in equity.

| DKKm | 2016 | 2015 |
|---|--------|--------|
| <i>Solvency</i> | | |
| Tier 1 capital after deductions | 3,188 | 3,137 |
| Total capital after deductions | 3,200 | 2,896 |
| Weighted items subject to credit risk | 8,845 | 9,004 |
| Weighted items subject to market risk | 898 | 827 |
| Weighted items subject to operational risk | 927 | 694 |
| Total weighted items | 10,670 | 10,525 |
| Tier 1 capital after deductions as a percentage of total weighted items | 29.9% | 29.8% |
| Total capital ratio | 30.0% | 27.5% |

The total capital is calculated in accordance with the FICOD II rules.

No. of shares

Reconciliation of the no. of shares (1,000)

| | | |
|--------------------------------------|---------|---------|
| Issued shares, beginning of year | 173,500 | 173,500 |
| Treasury shares, beginning of year | -5,090 | -3,838 |
| No. of shares, beginning of year | 168,410 | 169,662 |
| Shares acquired/sold during the year | -4,944 | -1,552 |
| Issued shares, year end | 173,500 | 173,500 |
| Treasury shares, year end | -10,034 | -5,090 |
| No. of shares, year end | 163,466 | 168,410 |

Treasury shares

| | | |
|------------------------------------|------|-----|
| Treasury shares, beginning of year | 0 | 0 |
| Value adjustment | -288 | -65 |
| Acquired during the year, net | 288 | 65 |
| Treasury shares, year-end | 0 | 0 |

| | | |
|----------------------------------|-----|----|
| Nominal value, beginning of year | 51 | 39 |
| Acquired during the year, net | 49 | 12 |
| Nominal value, year-end | 100 | 51 |

| | | |
|-----------------------------------|--------|-------|
| Holding (1,000) beginning of year | 5,090 | 3,838 |
| Acquired during the year | 6,742 | 1,611 |
| Sold during the year | -1,798 | -359 |
| Holding (1,000), year-end | 10,034 | 5,090 |

| | | |
|---------------------------------------|------|------|
| Percentage of share capital, year-end | 5.8% | 2.9% |
|---------------------------------------|------|------|

| DKKm | 2016 | | | | 2015 | | | | | |
|---|--------------|---------------|------------|------------|---------------|--------------|---------------|------------|------------|---------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 13 Subordinated debt | | | | | | | | | | |
| <i>Subordinated loan capital</i> | | | | | | | | | | |
| Floating rate bullet loans maturing 2020.03.15 | 0 | 120 | 0 | 0 | 0 | 0 | 120 | 0 | 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 2024.04.01 | 0 | 0 | 0 | 250 | 250 | 0 | 0 | 0 | 250 | 250 |
| Subordinated loan capital, year-end | 149 | 120 | 0 | 250 | 399 | 149 | 120 | 0 | 250 | 399 |
| <i>Hybrid loan capital</i> | | | | | | | | | | |
| Fixed-rate bullet loans in DKK with indefinite terms | | | 175 | | 175 | | 175 | | | 175 |
| Hybrid loan capital, year-end | | | 175 | | 175 | | 175 | | | 175 |
| Subordinated debt, year-end | 149 | 120 | 175 | 250 | 574 | 149 | 120 | 175 | 250 | 574 |
| Interest on subordinated debt | 2 | 2 | 9 | 12 | 23 | 2 | 2 | 10 | 13 | 25 |
| Of which amortisation of costs incurred on raising | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary instalments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <p>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 life insurance segment carries interest at a floating rate of three-month EURIBOR plus 1.80 basis points.</p> <p>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.</p> <p>The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 5.0 percentage points.</p> <p>In connection with the calculation of the total capital, DKK 574 million of the group's subordinated capital of DKK 399 million was recognised in accordance with the applicable rules.</p> | | | | | | | | | | |
| Note 14 Provisions for insurance contracts | | | | | | | | | | |
| Unearned premium provisions | 1,187 | - | | | 1,187 | 1,203 | - | | | 1,203 |
| Profit margin on non-life insurance contracts | 457 | - | | | 457 | 461 | - | | | 461 |
| Outstanding claims provisions | 5,311 | - | | | 5,311 | 5,471 | 46 | | | 5,517 |
| Risk margin on non-life insurance contracts | 284 | - | | | 284 | 262 | - | | | 262 |
| Life insurance provisions | - | 12,488 | | | 12,488 | - | 11,042 | | | 11,042 |
| Profit margin on life insurance contracts | - | 365 | | | 365 | - | 0 | | | 0 |
| Collective bonus potential | - | - | | | - | - | 942 | | | 942 |
| Provisions for insurance contracts, year-end | 7,239 | 12,853 | | | 20,092 | 7,397 | 12,030 | | | 19,427 |
| <i>Unearned premium provisions</i> | | | | | | | | | | |
| Unearned premium provisions, beginning of year | 1,203 | | | | 1,203 | 1,858 | | | | 1,858 |
| Change in accounting policies | 0 | | | | 0 | -574 | | | | -574 |
| Premiums received | 4,992 | | | | 4,992 | 4,979 | | | | 4,979 |
| Premiums recognised as income | -5,028 | | | | -5,028 | -5,061 | | | | -5,061 |
| Discounting (bond maturity effect), all years | 14 | | | | 14 | 21 | | | | 21 |
| Discounting (value adjustment), all years | 17 | | | | 17 | -10 | | | | -10 |
| Change in profit margin | -7 | | | | -7 | -10 | | | | -10 |
| Change in risk margin | -4 | | | | -4 | 0 | | | | 0 |
| Unearned premium provisions, year-end | 1,187 | | | | 1,187 | 1,203 | | | | 1,203 |
| <i>Profit margin on non-life insurance contracts</i> | | | | | | | | | | |
| Profit margin, beginning of year | 461 | | | | 461 | 0 | | | | 0 |
| Change in accounting policies | 0 | | | | 0 | 450 | | | | 450 |
| Discounting (bond maturity effect), all years | -1 | | | | -1 | 0 | | | | 0 |
| Discounting (value adjustment), all years | -10 | | | | -10 | 1 | | | | 1 |
| Change for the year | 7 | | | | 7 | 10 | | | | 10 |
| Profit margin, year-end | 457 | | | | 457 | 461 | | | | 461 |

| DKKm | 2016 | | | 2015 | | |
|---|--------|-----|--------|--------|--------|--------|
| <i>Outstanding claims provisions</i> | | | | | | |
| Beginning of year | 5,471 | 46 | 5,517 | 5,713 | 46 | 5,759 |
| Change in accounting policies | 0 | -46 | -46 | -59 | | -59 |
| Claims paid regarding previous years | -1,375 | | -1,375 | -1,401 | | -1,401 |
| Change in expected claims expenses regarding previous years | -429 | | -429 | -469 | | -469 |
| Claims paid regarding current year | -1,915 | | -1,915 | -1,778 | -1,103 | -2,881 |
| Expected claims expenses, current year | 3,464 | | 3,464 | 3,487 | 1,103 | 4,590 |
| Discounting (bond maturity effect), all years | 25 | | 25 | 37 | | 37 |
| Discounting (value adjustment), all years | 79 | | 79 | -56 | | -56 |
| Hedging of inflation risk | -1 | | -1 | -3 | | -3 |
| Change in risk margin | -8 | | -8 | 0 | | 0 |
| Outstanding claims provisions, year-end | 5,311 | - | 5,311 | 5,471 | 46 | 5,517 |

| | | | | | | |
|--|-----|--|-----|-----|--|-----|
| <i>Risk margin on non-life insurance contracts</i> | | | | | | |
| Risk margin, beginning of year | 262 | | 262 | 0 | | 0 |
| Change in accounting policies | 0 | | 0 | 261 | | 261 |
| Change for the year regarding previous years | -48 | | -48 | -56 | | -56 |
| Change for the year regarding current year | 56 | | 56 | 56 | | 56 |
| Discounting (bond maturity effect), all years | 1 | | 1 | 2 | | 2 |
| Discounting (value adjustment), all years | 9 | | 9 | -1 | | -1 |
| Change for the year in the risk margin on premiums | 4 | | 4 | 0 | | 0 |
| Risk margin, year-end | 284 | | 284 | 262 | | 262 |

| DKKm | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|--|--------|--------|--------|--------|--------|--------|---------|
| <i>Run-off triangle, gross</i> | | | | | | | |
| Estimated accumulated claims | | | | | | | |
| Year-end | 4,126 | 3,268 | 4,004 | 3,433 | 3,505 | 3,460 | |
| 1 year later | 4,271 | 3,152 | 4,285 | 3,413 | 3,346 | | |
| 2 years later | 4,280 | 3,158 | 4,265 | 3,290 | | | |
| 3 years later | 4,301 | 3,142 | 4,259 | | | | |
| 4 years later | 4,217 | 3,134 | | | | | |
| 5 years later | 4,232 | | | | | | |
| | 4,232 | 3,134 | 4,259 | 3,290 | 3,346 | 3,460 | 21,721 |
| Paid to date | -3,929 | -2,826 | -3,780 | -2,775 | -2,598 | -1,908 | -17,816 |
| Provisions before discounting effect, year-end | 303 | 308 | 479 | 515 | 748 | 1,552 | 3,905 |
| Discounting effect | 0 | -1 | -1 | -2 | -3 | -5 | -12 |
| Accumulated value change, health and personal accident insurance | 5 | 4 | 8 | 4 | 5 | 12 | 38 |
| | 308 | 311 | 486 | 517 | 750 | 1,559 | 3,931 |
| Provisions from 2010 and prior years | | | | | | | |
| Gross outstanding claims provisions, year-end | | | | | | | 5,311 |
| <i>Run-off triangle, net of reinsurance</i> | | | | | | | |
| Estimated accumulated claims | | | | | | | |
| Year-end | 3,559 | 3,246 | 3,467 | 3,332 | 3,411 | 3,388 | |
| 1 year later | 3,542 | 3,120 | 3,442 | 3,348 | 3,272 | | |
| 2 years later | 3,556 | 3,114 | 3,458 | 3,226 | | | |
| 3 years later | 3,575 | 3,099 | 3,455 | | | | |
| 4 years later | 3,493 | 3,097 | | | | | |
| 5 years later | 3,509 | | | | | | |
| | 3,509 | 3,097 | 3,455 | 3,226 | 3,272 | 3,388 | 19,947 |
| Paid to date | -3,210 | -2,795 | -3,016 | -2,721 | -2,555 | -1,881 | -16,178 |
| Provisions before discounting effect, year-end | 299 | 302 | 439 | 505 | 717 | 1,507 | 3,769 |
| Discounting effect | 0 | -1 | -1 | -2 | -3 | -5 | -12 |
| Accumulated value change, health and personal accident insurance | 6 | 4 | 8 | 3 | 5 | 14 | 40 |
| | 305 | 305 | 446 | 506 | 719 | 1,516 | 3,797 |
| Provisions from 2010 and prior years | | | | | | | |
| Outstanding claims provisions year-end, net of reinsurance | | | | | | | 1,355 |
| | | | | | | | 5,152 |

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2011 to 2016. 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.

| DKKm | 2016 |
|---|-------------|
| <i>Life insurance provisions</i> | |
| Life insurance provisions beginning of year | 11,689 |
| Profit margin, beginning of year | 339 |
| Total provisions for insurance contracts, beginning of year | 12,028 |
| Collective bonus potential, beginning of year | -1,149 |
| Accumulated value adjustments, beginning of year | -1,119 |
| Retrospective provisions, beginning of year | 9,760 |
| Gross premiums | 1,281 |
| Addition of return | 383 |
| Resetting of negative bonus | 19 |
| Claims and benefits | -970 |
| Expense supplement after addition of expense bonus | -78 |
| Risk gain after addition of risk bonus | -66 |
| Other changes | -3 |
| Retrospective provisions, year-end | 10,326 |
| Accumulated value adjustments, year-end | 1,210 |
| Collective bonus potential, year-end | 1,317 |
| Total provisions for insurance contracts, year-end | 12,853 |
| Profit margin, year-end | -365 |
| Life insurance provisions, year-end | 12,488 |

| | Year-end 2015 | Correc- tion | Beginning of year 2016 |
|--|------------------|-----------------|------------------------------|
| Overview of corrections made at beginning of year as a result of transition to new executive order in 2016 | | | |
| Retrospective provisions excluding profit margin | 9,709 | -287 | 9,422 |
| Accumulated value adjustments | 1,333 | -215 | 1,118 |
| Collective bonus potential | 942 | 207 | 1,149 |
| Outstanding claims provisions | 46 | -46 | 0 |
| Profit margin | 0 | 339 | 339 |
| Total life insurance provisions | 12,030 | -2 | 12,028 |

| DKKm | 2016 |
|--|-------------|
| <i>Life insurance provisions</i> | |
| Life insurance provisions, end of preceding year | 10,920 |
| Accumulated value adjustments, end of preceding year | -1,652 |
| Retrospective provisions, end of preceding year | 9,268 |
| Opening adjustment due to contribution move etc. | -2 |
| Retrospective provisions, beginning of year | 9,266 |
| Change in share of provisions in Forenede Gruppeliv | -5 |
| Gross premiums | 1,311 |
| Interest | 371 |
| Resetting negative bonus | 16 |
| Claims and benefits | -1,103 |
| Expense supplement after addition of expense bonus | -75 |
| Risk gain after addition of risk bonus | -66 |
| Other changes | -6 |
| Retrospective provisions, year-end | 9,709 |
| Accumulated value adjustments, year-end | 1,333 |
| Life insurance provisions, year-end | 11,042 |

The above claims and benefits do not correspond to those in the income statement, as some parts thereof are included in the provisions for claims.

Alm. Brand Liv og Pension A/S writes average rate products with guaranteed benefits and option of surrender. The company's insurances are distributed on six portfolios. There are four interest rate contribution groups which are dependent on the benefit guarantee provided in different periods. In addition, there is a closed portfolio of old life annuities without bonus entitlement (written on basis U74 and basis L66) and a portfolio of health and personal accident insurances.

| DKKm | 2016 | | | | | |
|--|----------------------------|---|---|--------|----------------|---------------|
| | Garan- teed benefits | Indivi- dual bonus- poten- tial | Collec- tive bonus- poten- tial | Total | Return rate | Bonus rate |
| <i>Life insurance provisions per basis</i> | | | | | | |
| Interest rate group 0 | 5,305 | 753 | 722 | 6,780 | 620.0% | 23.6% |
| Interest rate group 1 | 1,207 | 2 | 253 | 1,462 | 750.0% | 23.1% |
| Interest rate group 2 | 1,118 | 1 | 119 | 1,238 | 620.0% | 12.1% |
| Interest rate group 3 | 2,696 | 3 | 216 | 2,915 | 700.0% | 11.6% |
| Interest rate group L66/U74 | 86 | 0 | 0 | 86 | - | - |
| Risk groups | 0 | 0 | 7 | 7 | - | - |
| | 10,412 | 759 | 1,317 | 12,488 | 670.0% | 20.1% |

No collective bonus potential was added to the expense groups.

| DKKm | 2016 | 2015 |
|---|------|------|
| <i>Expense result</i> | | |
| Cost contribution after addition of expense bonus | 80 | 69 |
| Insurance operating expenses for the year, net of reinsurance | -96 | -78 |
| Expense result, net of reinsurance | -16 | -9 |
| Expense result as a percentage of technical provisions | -0.2 | - |
| <i>Risk result</i> | | |
| Risk group death | 67 | 61 |
| Risk group disability | 10 | -1 |
| Risk group surviv - L1 | -13 | -11 |
| Risk group surviv - L2 | -1 | -1 |
| Risk result after addition of risk bonus, net of reinsurance | 63 | 48 |
| Risk result as a percentage of technical provisions | 0.5 | - |
| Return on policyholder's funds after costs before tax (%) | 6.0 | - |

| DKKm | 2016 | 2015 |
|-----------------------------|------|------|
| <i>Riskmargin</i> | | |
| Interest rate group 0 | 50 | - |
| Interest rate group 1 | 6 | - |
| Interest rate group 2 | 4 | - |
| Interest rate group 3 | 9 | - |
| Interest rate group L66/U74 | 3 | - |
| Total risk margin | 72 | - |
| <i>Profit margin</i> | | |
| Interest rate group 0 | 256 | - |
| Interest rate group 1 | 32 | - |
| Interest rate group 2 | 20 | - |
| Interest rate group 3 | 57 | - |
| Total profit margin | 365 | - |

| DKKkM | 2015 | | | |
|--|----------------------------|------------------------------|---|--------|
| | Garan- teed benefits | on fu- ture pre- miums | Bonus poten- tial on paid-up policy benefits | Total |
| <i>Life insurance provisions per basis</i> | | | | |
| Interest rate group 0 | 3,148 | 1,431 | 612 | 5,191 |
| Interest rate group 1 | 1,391 | 21 | 28 | 1,440 |
| Interest rate group 2 | 1,102 | 6 | 10 | 1,118 |
| Interest rate group 3 | 3,185 | 4 | 3 | 3,192 |
| Portfolios with bonus entitlement, year-end | 8,826 | 1,462 | 653 | 10,941 |
| Interest rate group L66/U74 | 101 | 0 | 0 | 101 |
| Portfolios without bonus entitlement, year-end | 101 | 0 | 0 | 101 |
| Life insurance provisions, year-end | 8,927 | 1,462 | 653 | 11,042 |

| DKKkM | 2016 | | | | 2015 | | | |
|---|----------|--------------|-------|-------|----------|--------------|-------|--------|
| | Non-life | Life Banking | Other | Total | Non-life | Life Banking | Other | Total |
| <i>Undiscounted expected cash flows</i> | | | | | | | | |
| <i>Life insurance provisions</i> | | | | | | | | |
| Cash flow 1 year or less | | 451 | | 451 | | 246 | | 246 |
| Cash flow 1-5 years | | 2,014 | | 2,014 | | 1,205 | | 1,205 |
| Cash flow 5 years or more | | 9,951 | | 9,951 | | 11,175 | | 11,175 |
| <i>Gross claims provisions</i> | | | | | | | | |
| Cash flow 1 year or less | 1,850 | | | 1,850 | 2,025 | 46 | | 2,071 |
| Cash flow 1-5 years | 1,697 | | | 1,697 | 1,745 | 0 | | 1,745 |
| Cash flow 5 years or more | 1,297 | | | 1,297 | 1,241 | 0 | | 1,241 |
| <i>Profit margin, gross</i> | | | | | | | | |
| Cash flow 1 year or less | 63 | | | 63 | 62 | | | 62 |
| Cash flow 1-5 years | 117 | | | 117 | 108 | | | 108 |
| Cash flow 5 years or more | 96 | | | 96 | 85 | | | 85 |
| <i>Claims provisions, gross</i> | | | | | | | | |
| Cash flow 1 year or less | | 942 | | 942 | | 912 | | 912 |
| Cash flow 1-5 years | - | | - | | | 52 | | 59 |
| Cash flow 5 years or more | | | | | | | | -7 |
| <i>Risk margin, gross</i> | | | | | | | | |
| Cash flow 1 year or less | - | | - | | | -22 | | -22 |
| Cash flow 1-5 years | - | | - | | | 942 | | 942 |
| Cash flow 5 years or more | | | | | | | | |
| <i>Collective bonus potential</i> | | | | | | | | |
| Collective bonus potential, beginning of year | | 942 | | 942 | | 912 | | 912 |
| Change in accounting policies | | -942 | | -942 | | | | |
| Provisions for the year through profit or loss | | - | | - | | 52 | | 59 |
| Transferred from revaluation reserves from equity | | - | | - | | | | -7 |
| Accelerated taxation of unallocated provisions | | - | | - | | -22 | | -22 |
| Collective bonus potential, year end | | - | | - | | 942 | | 942 |

| DKKkM | | | | | | 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------|-------|
| | Interest rate group 0 | Interest rate group 1 | Interest rate group 2 | Interest rate group 3 | Risk groups | Total |
| <i>Collective bonus potential per interest rate group</i> | | | | | | |
| Beginning of year | 473 | 266 | 71 | 91 | 11 | 912 |
| Change relative to beginning of year* | 68 | -43 | -13 | -12 | | 0 |
| Beginning of year, adjusted | 541 | 223 | 58 | 79 | 11 | 912 |
| Change in collective bonus | -4 | 30 | 13 | 13 | 0 | 52 |
| Accelerated taxation of unallocated provisions | -5 | -3 | -4 | -10 | | -22 |
| Provisions during the year | -9 | 27 | 9 | 3 | 0 | 30 |
| Collective bonus potential, year end | 532 | 250 | 67 | 82 | 11 | 942 |

* Moves between contribution groups and change in bonus potential used on paid-up policies

| DKKkM | 2015 |
|---|-------|
| <i>Bonus rate per interest rate group</i> | |
| Interest rate group 0 | 10.3% |
| Interest rate group 1 | 19.4% |
| Interest rate group 2 | 6.8% |
| Interest rate group 3 | 3.7% |

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.

The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the government bond-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 retroactive 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 | 2016 | | | | 2015 | | | |
|--|-----------|--------------|-------|-----------|-----------|--------------|-------|-----------|
| | Non-life | Life Banking | Other | Total | Non-life | Life Banking | Other | Total |
| Note 15 Other provisions | | | | | | | | |
| Provisions for | | | | | | | | |
| jubilees, severance payments, etc. | 23 | 2 | | 25 | 24 | 2 | | 26 |
| Provisions for losses on guarantees | 0 | 6 | | 6 | 0 | 8 | | 8 |
| Other provisions, year-end | 23 | 8 | | 31 | 24 | 10 | | 34 |
| Provisions for jubilees, severance payment, etc., | | | | | | | | |
| beginning of year | 24 | 2 | | 26 | 24 | 2 | | 26 |
| New and adjusted provisions | 5 | 0 | | 5 | 2 | 0 | | 2 |
| Net provisions recognised during the year | -1 | 0 | | -1 | -1 | 0 | | -1 |
| Reversed provisions during the year | -5 | 0 | | -5 | -1 | 0 | | -1 |
| Discounting effect | 0 | 0 | | 0 | 0 | 0 | | 0 |
| Provisions for jubilees, severance payment, etc., year-end | 23 | 2 | | 25 | 24 | 2 | | 26 |

| DKK M | 2016 | | | | 2015 | | | | | |
|---|----------|------|---------|-------|-------|----------|------|---------|-------|-------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Provisions for losses on guarantees beginning of year | | | 8 | | 8 | | | 11 | | 11 |
| Provisions for the year | | | 3 | | 3 | | | 5 | | 5 |
| Reversed provisions for the year | | | -5 | | -5 | | | -8 | | -8 |
| Provisions for losses on guarantees, year-end | | | 6 | | 6 | | | 8 | | 8 |

The provision for anniversaries, severance of service, etc. has been calculated using an estimated likelihood of disbursement.

Note 16 Issued bonds

| | | | | | | | | | | |
|-------------------------------|--|--|--|----------|----------|--|--|--|----------|----------|
| Employee bonds | | | | 0 | 0 | | | | 5 | 5 |
| Issued bonds, year-end | | | | 0 | 0 | | | | 5 | 5 |

Note 17 Other liabilities

| | | | | | | | | | | |
|---|------------|------------|------------|-----------|--------------|------------|------------|------------|-----------|--------------|
| Payables to policyholders | 8 | 1 | 0 | 0 | 9 | 8 | 0 | 0 | 0 | 8 |
| Payables related to direct insurance | 0 | 15 | 0 | 0 | 15 | 1 | 11 | 0 | 0 | 12 |
| Payables related to reinsurance | 1 | 13 | 0 | 0 | 14 | 35 | 6 | 0 | 0 | 41 |
| Payables to group enterprises | 14 | 0 | 40 | 15 | 15 | 53 | 1 | 34 | 25 | 13 |
| Repo/reverse transactions, negative values | 0 | 0 | 219 | 0 | 219 | 0 | 189 | 75 | 0 | 75 |
| Negative market value of derivatives | 316 | 115 | 60 | 0 | 475 | 296 | 162 | 47 | 0 | 485 |
| Other payables | 267 | 157 | 125 | 14 | 533 | 211 | 1 | 101 | 10 | 481 |
| Deferred income | 19 | 11 | 5 | 0 | 35 | 15 | 18 | 21 | 0 | 52 |
| Other liabilities, year-end | 625 | 312 | 449 | 29 | 1,315 | 619 | 388 | 278 | 35 | 1,167 |

For an overview of the net position in derivative financial instruments, see note 44 Offsetting.

Note 18 Deposits

| | | | | | | | | | | |
|--------------------------------|--|--------------|--|--|--------------|--|--|--------------|--|--------------|
| Deposits at call | | 5,743 | | | 5,509 | | | 5,616 | | 5,519 |
| At notice | | 718 | | | 718 | | | 1,649 | | 1,649 |
| Time deposits | | 0 | | | -2 | | | 0 | | -3 |
| Special categories of deposits | | 728 | | | 728 | | | 834 | | 834 |
| Deposits, year-end | | 7,189 | | | 6,953 | | | 8,099 | | 7,999 |

Note 19 Payables to credit institutions and central banks

| | | | | | | | | | | |
|--|-----------|------------|------------|--|------------|-----------|------------|------------|--|------------|
| Central banks | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | | 0 |
| Credit institutions | 87 | 250 | 357 | | 694 | 23 | 517 | 359 | | 899 |
| Payables to credit institutions and central banks, year-end | 87 | 250 | 357 | | 694 | 23 | 517 | 359 | | 899 |

By term to maturity:

| | | | | | | | | | | |
|--|----|-----|-----|--|-----|----|-----|-----|--|-----|
| Due on demand | 87 | 250 | 91 | | 428 | 23 | 328 | 79 | | 430 |
| Up to and including 3 months | 0 | 0 | 266 | | 266 | 0 | 189 | 191 | | 380 |
| Over 3 months and up to and including 1 year | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | | 0 |
| Over 1 year and up to and including 5 year | 0 | 0 | 0 | | 0 | 0 | 0 | 21 | | 21 |
| Over 5 years | 0 | 0 | 0 | | 0 | 0 | 0 | 68 | | 68 |
| Year-end | 87 | 250 | 357 | | 694 | 23 | 517 | 359 | | 899 |

Debt arising from genuine purchase and resale transactions:

| | | | | | | | | | | |
|---|--|---|---|--|---|--|-----|-----|--|-----|
| Payables to credit institutions and central banks | | 0 | 0 | | 0 | | 189 | 189 | | 378 |
| Other payables | | 0 | 0 | | 0 | | 0 | 0 | | 0 |
| Year-end | | 0 | 0 | | 0 | | 189 | 189 | | 378 |

| DKK M | 2016 | | | | 2015 | | | | | |
|---|--------------|--------------|------------|----------|--------------|--------------|--------------|------------|----------|--------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 20 Premium income | | | | | | | | | | |
| Gross premiums | 4,992 | 1,281 | | | 6,273 | 4,979 | 1,311 | | | 6,290 |
| Change in unearned premium provisions | 36 | 0 | | | 36 | 82 | 0 | | | 82 |
| Total premium income | 5,028 | 1,281 | | | 6,309 | 5,061 | 1,311 | | | 6,372 |
| Direct insurance is exclusively written in Denmark | | | | | | | | | | |
| <i>Premium income, life insurance</i> | | | | | | | | | | |
| Regular premiums | | 667 | | | 667 | | 656 | | | 656 |
| Single premiums | | 614 | | | 614 | | 655 | | | 655 |
| Total premium income, life insurance | | 1,281 | | | 1,281 | | 1,311 | | | 1,311 |
| Individually written insurance | | 621 | | | 621 | | 652 | | | 652 |
| Insurance written in employment relationship | | 448 | | | 448 | | 449 | | | 449 |
| Group life schemes | | 212 | | | 212 | | 210 | | | 210 |
| Total premium income, life insurance | | 1,281 | | | 1,281 | | 1,311 | | | 1,311 |
| <i>Number of policies (1,000)</i> | | | | | | | | | | |
| Individually written insurance | | 57 | | | 57 | | 59 | | | 59 |
| Insurance written in employment relationship | | 7 | | | 7 | | 7 | | | 7 |
| Group life schemes | | 64 | | | 64 | | 66 | | | 66 |
| All policies in Life and Pension written include a bonus arrangement. The life insurance company only writes direct Danish insurance. | | | | | | | | | | |
| Note 21 Interest income, etc. | | | | | | | | | | |
| Equity investments | 0 | 71 | 0 | 0 | 71 | 0 | 36 | 0 | 0 | 36 |
| Bonds | 144 | 226 | 53 | 7 | 430 | 154 | 259 | 83 | 2 | 498 |
| Loans secured by mortgages | 86 | 0 | 26 | 0 | 112 | 102 | 0 | 26 | 0 | 128 |
| Other loans | 0 | 0 | 177 | 0 | 177 | 0 | 0 | 204 | 0 | 204 |
| Deposits in credit institutions | 1 | 0 | -1 | 0 | -1 | 0 | 1 | -2 | 0 | -1 |
| Other investment assets | 20 | 25 | -13 | 0 | 30 | 18 | 51 | -17 | 0 | 50 |
| Total interest income, etc. | 251 | 322 | 242 | 7 | 819 | 274 | 347 | 294 | 2 | 915 |
| Interest income in connection with genuine purchase and resale transactions: | | | | | | | | | | |
| Balances due from credit institutions and central bank | | | -1 | | -1 | | | -1 | | -1 |
| Other debtors | | | 0 | | 0 | | | 0 | | 0 |
| Note 22 Fee income, etc. | | | | | | | | | | |
| Securities trading and deposits | | | 149 | | 95 | | | 156 | | 95 |
| Payment transfers | | | 5 | | 5 | | | 4 | | 4 |
| Commission fees | | | 2 | | 2 | | | 3 | | 3 |
| Other fees and commissions | | | 58 | | 58 | | | 52 | | 52 |
| Dividends | | | 0 | | 0 | | | 0 | | 0 |
| Fees and commissions paid | | | -26 | | -26 | | | -26 | | -26 |
| Total fee income, etc. | | | 188 | | 134 | | | 189 | | 128 |
| Note 23 Other income from investment activities | | | | | | | | | | |
| Rental income | 2 | 122 | 7 | | 45 | 2 | 122 | 10 | | 47 |
| Operation and maintenance - occupied leases | -1 | -44 | -1 | | -21 | -1 | -44 | -1 | | -21 |
| Operation and maintenance - vacant leases | 0 | -20 | 0 | | -20 | 0 | -23 | -2 | | -25 |
| Total other income from investment activities | 1 | 58 | 6 | | 4 | 1 | 55 | 7 | | 1 |
| Note 24 Profit/loss from investments in associates | | | | | | | | | | |
| Total profit/loss from investments in associates | | | 5 | | 5 | | | 1 | | 1 |

Profit/loss from investments in associates comprises the group's share of the results of Cibor Invest A/S. Cibor Invest A/S was sold in 2016.

| DKKkM | 2016 | | | | 2015 | | | | | |
|--|---------------|-------------|------------|------------|---------------|---------------|---------------|-------------|------------|---------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 25 Other income | | | | | | | | | | |
| Income from lease agreements | | | 224 | | 224 | | | 176 | | 176 |
| Other | | | -1 | | -1 | | | 3 | | 3 |
| Total other income | | | 223 | | 223 | | | 179 | | 179 |
| Note 26 Claims expenses | | | | | | | | | | |
| Claims paid | -3,290 | -970 | | | -4,260 | -3,179 | -1,104 | | | -4,283 |
| Change in outstanding claims provisions | 256 | 0 | | | 256 | 161 | 1 | | | 162 |
| Total claims expenses | -3,034 | -970 | | | -4,004 | -3,018 | -1,103 | | | -4,121 |
| Run-off result, claims | 429 | | | | 429 | 469 | | | | 469 |
| Run-off result, risk margin | 48 | | | | 48 | 56 | | | | 56 |
| Run-off result, ceded business | -31 | | | | -31 | -40 | | | | -40 |
| Run-off result, net | 446 | | | | 446 | 485 | | | | 485 |
| The run-off result includes value adjustment of inflation swaps used to hedge inflation risk related to workers' compensation. | | | | | | | | | | |
| <i>Claims and benefits paid, life insurance</i> | | | | | | | | | | |
| Insurance sums on death | | -77 | | | -77 | | -73 | | | -73 |
| Insurance sums on critical illness | | -22 | | | -22 | | -22 | | | -22 |
| Insurance sums on disability | | -5 | | | -5 | | -6 | | | -6 |
| Insurance sums on expiry | | -127 | | | -127 | | -169 | | | -169 |
| Pension and annuity benefits | | -307 | | | -307 | | -308 | | | -308 |
| Surrenders | | -299 | | | -299 | | -402 | | | -402 |
| Cash bonus payments | | -133 | | | -133 | | -124 | | | -124 |
| Total claims and benefits, life insurance | | -970 | | | -970 | | -1,104 | | | -1,104 |
| Note 27 Interest expenses | | | | | | | | | | |
| Credit institutions and central banks | 0 | 0 | -1 | 0 | -1 | 0 | 0 | -1 | 0 | -1 |
| Deposits and other payables | 0 | 0 | -27 | 0 | -26 | 0 | 0 | -84 | 0 | -84 |
| Issued bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subordinated debt | -2 | -2 | -9 | -12 | -23 | -2 | -2 | -10 | -13 | -25 |
| Other interest expenses | -33 | -3 | -1 | -1 | -38 | -36 | -3 | 0 | 0 | -39 |
| Discounting insurance contracts | -40 | 0 | 0 | 0 | -40 | -57 | 0 | 0 | 0 | -57 |
| Total interest expenses | -75 | -5 | -38 | -13 | -128 | -95 | -5 | -95 | -13 | -206 |
| Interest expenses arising from genuine purchase and resale transactions: | | | | | | | | | | |
| Payables to credit institutions and central banks | | | 0 | | 0 | | | 0 | | 0 |
| Deposits and other payables | | | 0 | | 0 | | | 0 | | 0 |
| Note 28 Impairment of loans, advances and receivables, etc. | | | | | | | | | | |
| <i>Individual assessment:</i> | | | | | | | | | | |
| Impairment and value adjustments, respectively, during the year | | | -236 | | -236 | | | -387 | | -387 |
| Reversal of impairment in previous years | | | 203 | | 203 | | | 146 | | 146 |
| Total individual assessment | | | -33 | | -33 | | | -241 | | -241 |
| <i>Collective assessment:</i> | | | | | | | | | | |
| Impairment and value adjustments, respectively, during the year | | | -13 | | -13 | | | -44 | | -44 |
| Reversal of impairment in previous years | | | 31 | | 31 | | | 12 | | 12 |
| Total collective assessment | | | 18 | | 18 | | | -32 | | -32 |
| Losses not previously provided for | | | -59 | | -59 | | | -25 | | -25 |
| Bad debts recovered | | | 51 | | 51 | | | 45 | | 45 |
| Total impairment of loans, advances and receivables, etc. | | | -23 | | -23 | | | -253 | | -253 |

| DKK m | 2016 | | | | 2015 | | | | | |
|--|-------------|-------------|-------------|----------|---------------|-------------|------------|-------------|----------|---------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 29 Acquisition costs and administrative expenses | | | | | | | | | | |
| Acquisition commission | -143 | -4 | 0 | 0 | -147 | -148 | -3 | 0 | 0 | -151 |
| Other acquisition costs | -466 | -50 | 0 | 0 | -516 | -447 | -42 | 0 | 0 | -489 |
| Administrative expenses | -242 | -47 | -584 | 0 | -812 | -212 | -39 | -548 | 0 | -737 |
| Total acquisition costs and administrative expenses | -851 | -101 | -584 | 0 | -1,475 | -807 | -84 | -548 | 0 | -1,377 |
| Salaries and wages | | | | | 985 | | | | | 926 |
| Pension | | | | | 146 | | | | | 139 |
| Payroll tax, etc. | | | | | 148 | | | | | 131 |
| Share-based payment | | | | | 4 | | | | | 5 |
| Total salaries and wages, pension, etc. | | | | | 1,283 | | | | | 1,201 |
| Part of the payroll expenses for the year have been allocated as claims handling costs and are therefore included under claims incurred. | | | | | | | | | | |
| Average number of employees | | | | | 1,572 | | | | | 1,557 |
| <i>Remuneration to the Management Board and Board of Directors (DKK '000)</i> | | | | | | | | | | |
| Salaries and wages | | | | | 6,262 | | | | | 5,761 |
| Pension plans | | | | | 1,909 | | | | | 1,787 |
| Share-based payment | | | | | 567 | | | | | 799 |
| Total remuneration to the Management Board | | | | | 8,738 | | | | | 8,347 |
| Directors' fees | | | | | 4,745 | | | | | 4,747 |
| Total remuneration to the Management Board and Board of Directors | | | | | 13,483 | | | | | 13,094 |
| <i>Alm. Brand Group remuneration to the Board of Directors (DKK '000)</i> | | | | | | | | | | |
| Jørgen Hesselbjerg Mikkelsen (Chairman) | | | | | 980 | | | | | 980 |
| Jan Skytte Pedersen (Deputy Chairman) | | | | | 650 | | | | | 490 |
| Ebbe Castella | | | | | 410 | | | | | 410 |
| Henrik Christensen | | | | | 330 | | | | | 330 |
| Anette Eberhard (joined in 2015) | | | | | 570 | | | | | 386 |
| Per Viggo Hasling Frandsen | | | | | 303 | | | | | 250 |
| Karen Sofie Hansen-Hoeck | | | | | 250 | | | | | 250 |
| Boris Nørgaard Kjeldsen | | | | | 517 | | | | | 730 |
| Lars Christiansen (employee representative) | | | | | 250 | | | | | 250 |
| Brian Egested (employee representative) | | | | | 250 | | | | | 250 |
| Helle Låsby Frederiksen (employee representative) | | | | | 250 | | | | | 250 |
| Susanne Larsen (employee representative) | | | | | 250 | | | | | 250 |
| Arne Nielsen (retired in 2015) | | | | | 0 | | | | | 185 |
| Total remuneration to the Board of Directors | | | | | 5,010 | | | | | 5,011 |
| No. of members of the Management Board | | | | | 1 | | | | | 1 |
| No. of members of the Board of Directors | | | | | 12 | | | | | 12 |

Remuneration to the members of the Management Board comprises remuneration to Chief Executive Officer Søren Boe Mortensen.

In Alm. Brand, all employees, including the Management Board member, are entitled to a defined contribution pension plan. The group's expenses in relation to the Management Board's pension plans are shown in the note above.

The Management Board members and Alm. Brand A/S are subject to a mutual notice of termination of 12 months. Furthermore, Management Board members are entitled to severance pay equal to 24 months' remuneration in the event of termination on the part of Alm. Brand A/S.

Effective from 1 July 2016, a share-based remuneration programme for 13% of the fixed salary was established for the senior management team of the Alm. Brand Group. The shares are granted free of charge twice annually (third trading day of June and December, respectively). The value is calculated as a simple average of the average price of one share in Alm. Brand quoted on the first trading day of each calendar month during the calendar months forming the basis of the individual share grant.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 80 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually (Jan Skytte Pedersen DKK 27 thousand in 2016). Group Chief Auditor Poul-Erik Winther, who is employed by the Board of Directors, holds no employment outside Alm. Brand.

| DKKm | 2016 | 2015 |
|---|--------|--------|
| <i>Remuneration to key employees (DKK '000)</i> | | |
| Salaries | 23,757 | 18,101 |
| Pension plans | 4,822 | 3,848 |
| Share-based payment | 1,850 | 2,355 |
| Total remuneration to key employees | 30,429 | 24,304 |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group.

Remuneration for 2014 includes severance payment for a key employee.

| | | |
|---|--------|--------|
| <i>Remuneration to risk takers (DKK '000)</i> | | |
| Fixed salary | 74,345 | 52,678 |
| Pension | 11,196 | 8,198 |
| Variable salary | 46 | 100 |
| Share-based payment | 2,331 | 2,734 |
| Total remuneration to risk takers | 87,918 | 63,710 |
| Number of risk takers | 49 | 47 |

Risk takers are those persons who, in accordance with the Danish Executive Order on remuneration policy and public disclosure of salaries, have a material influence on the company's risk profile.

In 2016 remuneration to risk takers includes salary etc. in connection with severance.

A one-off fee has been paid to risk takers, but no bonus has been disbursed.

Share-based payment

A share option scheme has been established for the senior executives of the Alm. Brand Group. The scheme, which can only be exercised by purchasing the relevant shares (equity-based scheme), entitles the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vest at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

Breakdown of outstanding share options:

| | Number of share options held | Exercise price | Fair value at date of grant | Expiry date | Exercised | Number of share options in circulation |
|--|------------------------------|----------------|-----------------------------|-------------|-----------|--|
| Granted on 4 September 2012 | 328,130 | 15.39 | 3.01 | 04.11.16 | 328,130 | 0 |
| Granted on 8 March 2013 | 922,610 | 20.06 | 2.28 | 08.05.17 | 922,610 | 0 |
| Granted on 3 September 2013 | 906,705 | 20.42 | 2.32 | 03.11.17 | 823,780 | 82,925 |
| Granted on 11 March 2014 | 604,472 | 29.16 | 3.48 | 11.05.18 | | 604,472 |
| Granted on 2 September 2014 | 577,021 | 34.78 | 3.82 | 02.11.18 | | 577,021 |
| Granted on 9 March 2015 | 563,933 | 43.87 | 4.57 | 09.05.19 | | 563,933 |
| Granted on 1 September 2015 | 524,860 | 43.89 | 5.10 | 01.11.19 | | 524,860 |
| Number of share options, beginning of the year | 4,427,731 | | | | | 2,353,211 |
| Granted on 14 March 2016 | 448,084 | 50.85 | 6.06 | 14.05.20 | | 448,084 |
| Granted on 6 September 2016 | 235,541 | 55.28 | 5.66 | 06.11.20 | | 235,541 |
| Number of share options, year-end | 5,111,356 | | | | | 3,036,836 |

The weighted average remaining contractual term is one year, six months and twenty-one days. The weighted average market price during the exercise period was DKK 31.9.

The company bought 3,036,836 shares in connection with the option scheme.

In 2016, share options were granted on 14 March and 6 September, respectively. The estimated fair value was DKK 6.06 and DKK 5.66 per option, respectively. The estimated fair value at the date of grant has been calculated by applying the Black & Scholes model for measuring options. The valuation is based on the following assumptions:

| | 2016 | | 2015 | | 2014 | | 2013 | | 2012 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 06.09.16 | 14.03.16 | 09.03.15 | 01.09.15 | 11.03.14 | 02.09.14 | 08.03.13 | 03.09.13 | 04.09.12 |
| Share price at the date of grant (DKK per share) | 50.25 | 46.23 | 39.88 | 39.9 | 26.51 | 31.62 | 18.24 | 18.56 | 13.99 |
| Exercise prise (DKK per share) | 55.28 | 50.85 | 43.87 | 43.89 | 29.16 | 34.78 | 20.06 | 20.42 | 15.39 |
| Expected volatility (%) | 22.21 | 24.7 | 21.89 | 23.79 | 23.56 | 22.59 | 22.71 | 26.48 | 35.87 |
| Risk-free rate of interest (%) | -0.11 | 0.00 | 0.16 | 0.18 | 0.62 | 0.30 | 0.60 | 0.89 | 0.60 |
| Expected dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Term to maturity (number of years) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

The expected volatility is calculated based on the historical volatility of the price of the parent company's shares seen over the past twelve months.
Term to maturity is calculated based on the earliest possible exercise of the share option.

Share-based payment recognised in the income statement attributable to equity-based scheme 1

| DKKm | 2016 | | | | | 2015 | | | | |
|--|--------------|------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| <i>Audit fees (DKK '000)</i> | | | | | | | | | | |
| Deloitte - Audit | 949 | 581 | 970 | 578 | 3,078 | 926 | 581 | 1,215 | 560 | 3,282 |
| Deloitte - Other assurance engagements | 30 | 133 | 149 | 0 | 312 | 28 | 133 | 127 | 0 | 288 |
| Deloitte - Tax consultancy | 0 | 0 | 15 | 736 | 751 | 0 | 0 | 0 | 593 | 593 |
| Deloitte - Non-audit services | 709 | 19 | 259 | 195 | 1,182 | 615 | 19 | 74 | 304 | 1,012 |
| Total audit fees | 1,688 | 733 | 1,393 | 1,509 | 5,323 | 1,569 | 733 | 1,416 | 1,457 | 5,175 |

Note 30 Profit/loss from business ceded

| | | | | | | | | | | |
|--|-------------|-----------|--|--|-------------|-------------|-----------|--|--|-------------|
| Reinsurance premiums ceded | -316 | -18 | | | -334 | -323 | -20 | | | -343 |
| Reinsurers' share received | 108 | 11 | | | 119 | 135 | 21 | | | 156 |
| Change in reinsurers' share of insurance contracts | -56 | -2 | | | -58 | -71 | -10 | | | -81 |
| Commissions and profit shares from reinsurance companies | 17 | 5 | | | 22 | 14 | 5 | | | 19 |
| Total loss from business ceded | -247 | -4 | | | -251 | -245 | -4 | | | -249 |

Note 31 Change in life insurance provisions

| | | | | | | | | | | |
|---|--|--|--|--|--|--|-------------|--|--|-------------|
| Guaranteed benefits | | | | | | | 362 | | | 362 |
| Bonus potential on future premiums | | | | | | | -254 | | | -254 |
| Bonus potential on paid-up policies | | | | | | | -230 | | | -230 |
| Change in share of provisions in Forenede Gruppeliv | | | | | | | 1 | | | 1 |
| Total change in life insurance provisions | | | | | | | -121 | | | -121 |

Note 32 Value adjustments

| | | | | | | | | | | |
|----------------------------------|------------|------------|-----------|-----------|------------|-------------|-------------|-------------|-----------|-------------|
| <i>Investment assets</i> | | | | | | | | | | |
| Equity investments | 16 | 109 | 22 | 0 | 147 | 3 | 113 | 8 | 0 | 124 |
| Unit trust units | 0 | 23 | 0 | 0 | 23 | 0 | 0 | 0 | 0 | 0 |
| Bonds | 75 | 221 | 51 | -3 | 344 | -173 | -250 | -99 | -5 | -527 |
| Shares in collective investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans secured by mortgages | -48 | 0 | 20 | 0 | -28 | -93 | 0 | -28 | 0 | -121 |
| Other investment assets | -18 | 37 | -78 | 0 | -59 | 9 | -78 | 5 | 0 | -64 |
| Exchange rate adjustments | 0 | 0 | 10 | 0 | 10 | 0 | 0 | 10 | 0 | 10 |
| | 25 | 390 | 25 | -3 | 437 | -254 | -215 | -104 | -5 | -578 |
| <i>Land and buildings</i> | | | | | | | | | | |
| Investment properties | -2 | 104 | 0 | 0 | 93 | 0 | 22 | -1 | 0 | 12 |
| Owner-occupied properties | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 23 | 494 | 25 | -3 | 530 | -254 | -193 | -105 | -5 | -564 |
| Discounting insurance contracts | -96 | 0 | 0 | 0 | -96 | 65 | 0 | 0 | 0 | 65 |
| Total value adjustments | -73 | 494 | 25 | -3 | 434 | -189 | -193 | -105 | -5 | -499 |

| DKKkm | 2016 | | | | | 2015 | | | | |
|---|----------|------|---------|-------|-------|----------|------|---------|-------|-------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| <i>Change in fair values based on valuation models and recognised in the income statement</i> | | | | | | | | | | |
| Mortgage deeds | -10 | 0 | 3 | 0 | -7 | -54 | 0 | 1 | 0 | -53 |
| Unlisted shares | 0 | -24 | 17 | 0 | -7 | 0 | -24 | 1 | 0 | -23 |
| Investment properties | -2 | 104 | 0 | 0 | 93 | 0 | 22 | -1 | 0 | 12 |
| Total change in fair values | -12 | 80 | 20 | 0 | 79 | -54 | -2 | 1 | 0 | -64 |

The group's counterparties are primarily financial institutions with a high credit rating with which the bank exchanges collateral security on a daily basis. Accordingly, the group finds that a credit adjustment does not give rise to any notably different valuation.

Note 33 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 | | -120 | | | -120 | | -22 | | | -22 |
| Total tax on pension investment returns | | -120 | | | -120 | | -22 | | | -22 |

Note 34 Tax

| | | | | | | | | | | |
|--|-------------|------------|-----------|-----------|-------------|-------------|-----------|-----------|-----------|-------------|
| Estimated tax on profit/loss for the year | -153 | -18 | 101 | 17 | -53 | -174 | -16 | 155 | 15 | -20 |
| Adjustment of tax relating to prior years | 1 | 0 | -1 | 0 | 0 | 0 | 18 | 0 | 0 | 18 |
| Final withholding tax paid | 0 | 0 | 0 | 0 | 0 | 0 | -1 | 0 | 0 | -1 |
| Adjustment of deferred tax relating to prior years | -52 | 8 | -108 | -2 | -154 | -40 | -3 | -73 | -2 | -118 |
| Total tax | -204 | -10 | -8 | 15 | -207 | -214 | -2 | 82 | 13 | -121 |

Tax for the year consists of:

| | | | | | | | | | | |
|--|-------------|------------|-----------|-----------|-------------|-------------|-----------|-----------|-----------|-------------|
| Tax on accounting profit | -213 | -20 | -13 | 13 | -233 | -223 | -19 | 78 | 13 | -151 |
| Non-deductible expenses and non-taxable income | 8 | 10 | 6 | 2 | 26 | 1 | -1 | 1 | 0 | 1 |
| Adjustment due to change in tax rate | 0 | 0 | 0 | 0 | 0 | 8 | 0 | 3 | 0 | 11 |
| Dividend tax on foreign shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustment of prior-year estimated tax | 1 | 0 | -1 | 0 | 0 | 0 | 18 | 0 | 0 | 18 |
| Total tax | -204 | -10 | -8 | 15 | -207 | -214 | -2 | 82 | 13 | -121 |

| | | | | | | | | | | |
|--------------------|------|------|------|------|------|------|-----|------|------|------|
| Effective tax rate | 21.1 | 12.9 | 24.8 | 24.8 | 20.1 | 22.5 | 2.5 | 24.8 | 23.6 | 18.9 |
|--------------------|------|------|------|------|------|------|-----|------|------|------|

Note 35 Technical result, Non-life Insurance

| DKKkm | 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 | 2016 Total |
|--|-------------------------------|---------------------------------|------------------------------|-----------------------------------|------------------------------------|---------------------------------------|---------------------|------------------------|------------|
| Gross premiums | 608 | 335 | 460 | 847 | 1,132 | 1,276 | 109 | 225 | 4,992 |
| Gross premium income | 612 | 334 | 469 | 855 | 1,140 | 1,271 | 109 | 238 | 5,028 |
| Gross claims expenses | -303 | -154 | -326 | -498 | -737 | -835 | -35 | -146 | -3,034 |
| Gross operating expenses | -104 | -57 | -78 | -144 | -193 | -216 | -19 | -40 | -851 |
| Profit/loss from business ceded | -13 | -3 | -2 | -5 | -61 | -161 | 0 | -2 | -247 |
| Total technical result | 192 | 120 | 63 | 208 | 149 | 59 | 55 | 50 | 896 |
| No. of claims | 12,570 | 4,224 | 16,894 | 73,663 | 68,373 | 19,859 | 1,893 | 27,591 | 225,067 |
| Frequency of claims | 0.037 | 0.140 | 0.046 | 0.227 | 0.168 | 0.168 | 0.041 | 0.121 | 0.122 |
| Average damages paid for claims incurred, DKK '000 | 31 | 65 | 23 | 7 | 11 | 47 | 24 | 7 | 15 |

| 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 | 2015 Total |
|--|-------------------------------|---------------------------------|------------------------------|-----------------------------------|------------------------------------|---------------------------------------|---------------------|------------------------|------------|
| Gross premiums | 596 | 318 | 478 | 840 | 1,125 | 1,298 | 104 | 220 | 4,979 |
| Gross premium income | 609 | 320 | 492 | 855 | 1,142 | 1,302 | 104 | 237 | 5,061 |
| Gross claims expenses | -377 | -55 | -248 | -475 | -823 | -810 | -68 | -162 | -3,018 |
| Gross operating expenses | -97 | -51 | -77 | -136 | -182 | -209 | -17 | -38 | -807 |
| Profit/loss from business ceded | -11 | -3 | -1 | -5 | -48 | -176 | 0 | -1 | -245 |
| Total technical result | 124 | 211 | 166 | 239 | 89 | 107 | 19 | 36 | 991 |
| Numbers of claims | 12,083 | 4,521 | 15,804 | 44,855 | 73,800 | 24,166 | 2,075 | 25,948 | 203,252 |
| Frequency of claims | 0.038 | 0.153 | 0.044 | 0.144 | 0.181 | 0.202 | 0.045 | 0.114 | 0.111 |
| Average damages paid for claims incurred, DKK '000 | 27 | 62 | 24 | 11 | 11 | 36 | 22 | 8 | 17 |

Direct insurance is written only in Denmark

| DKKm | 2016 | 2015 |
|---|------|------|
| Note 36 Realised result, Life and Pension | | |
| Actual investment return before tax on pension investment return | 7 | -1 |
| Result of portfolios without bonus entitlement | 1 | 6 |
| Result of health/personal accident insurance | | |
| Risk premium of 0.2% (2015: 0.15%) of average life insurance provisions | 21 | 16 |
| 100% of expense result, net of reinsurance | -16 | -9 |
| 100% of risk result, net of reinsurance | 63 | 48 |
| Forenede Gruppeliv | 8 | 18 |
| Profit/loss for the year before tax | 84 | 78 |

In 2015, the profit for the year was DKK 77,720 thousand composed of an unconditional profit of DKK 4,976 thousand and a conditional profit of DKK 72,744 thousand.

Return on equity principles

The Executive Order on the contribution principle issued by the Danish Financial Supervisory Authority lays down the guidelines for return on equity.

Customers have been 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. will be determined separately for each contribution group.

The risk premium for 2016 has been determined as follows:

- Interest rate groups: 0.2% (2015: 0.15%) of 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 including Forenede Gruppeliv
- Expense groups: 100% of the expense result net of reinsurance after bonuses including Forenede Gruppeliv
- The result of Forenede Gruppeliv including commission payments after deduction of the items included in the expense and risk result

For the disability insurance group, the risk result is defined specifically before bonus for the purpose of taking the shadow account to income over the next three years or so.

The risk premium is calculated exclusively on the basis of the portfolio of policies with bonus entitlement. For policies without bonus entitlement, including life annuities without bonus entitlement, the result, positive or negative, is fully allocated to equity.

The risk allowance for 2017 has been determined as follows:

- Interest rate group: 0.2% of average life insurance provisions net of reinsurance excluding Forenedede Gruppeliv
- Insurance group disability: 100% of the risk result net of reinsurance before bonuses including Forenedede Gruppeliv
- Insurance group death and survival: 100% of the risk result net of reinsurance after bonuses including Forenedede Gruppeliv
- Expense groups: 100% of the expense result net of reinsurance after bonuses including Forenedede Gruppeliv
- Result of Forenedede Gruppeliv before tax including commission payments after deduction of the items included in the expense and risk result.

| DKKkm | 2016 | 2015 |
|--|------|------|
| Statement of realised result | | |
| Technical result, life insurance | - | 80 |
| Transfer of investment return | - | -7 |
| Tax on pension investment returns | - | 22 |
| Change in collective bonus potential | - | 52 |
| Settlement of tax on accumulated value adjustments | - | -13 |
| Result of portfolios without bonus entitlement | - | -6 |
| Addition of bonus | - | 239 |
| Return, shareholders' equity | - | 1 |
| Return, health and personal accident insurance | - | 7 |
| Realised result | - | 375 |

Note 37 Segment reporting, Non-life Insurance

| DKKkm | 2016 | | | 2015 | | |
|---|---------|-----------------|--------|---------|-----------------|--------|
| | Private | Com- mercial | Total | Private | Com- mercial | Total |
| Gross premium income | 2,604 | 2,424 | 5,028 | 2,615 | 2,446 | 5,061 |
| Gross claims expenses | -1,595 | -1,439 | -3,034 | -1,708 | -1,310 | -3,018 |
| Operating expenses relating to insurance activities | -479 | -372 | -851 | -462 | -345 | -807 |
| Reinsurance profit/loss | -77 | -170 | -247 | -60 | -185 | -245 |
| Technical result | 453 | 443 | 896 | 385 | 606 | 991 |
| Run-off result | 212 | 234 | 446 | 174 | 311 | 485 |
| Gross claims ratio | 61.3 | 59.4 | 60.4 | 65.3 | 53.6 | 59.6 |
| Net reinsurance ratio | 2.9 | 6.9 | 4.9 | 2.3 | 7.5 | 4.9 |
| Claims experience | 64.2 | 66.3 | 65.3 | 67.6 | 61.1 | 64.5 |
| Gross expense ratio | 18.4 | 15.4 | 16.9 | 17.6 | 14.1 | 15.9 |
| Combined ratio | 82.6 | 81.7 | 82.2 | 85.2 | 75.2 | 80.4 |

Non-life Insurance is divided into Private and Commercial. Private comprises the group's sales of insurances to private households through own sales channels and the group's health and personal accident activities, which for legal purposes are placed in Alm. Brand Liv og Pension. Commercial comprises the group's sales to agricultural and commercial customers through own sales channels and partnerships. The management reporting related to Private and Commercial consists exclusively of reporting of the technical result.

Transactions between the segments are settled on market terms. The recognition and measurement criteria are consistent with the group's accounting policies. The line items used are consistent with the financial highlights in the management's review and as described in Accounting policies.

See the management's review for a more detailed description of the segments and the organisational basis.

DKKm

2016

Note 38 Segment reporting, Banking

| | Private | Leasing | Financial Markets | Other | Contin- uing activi- ties | Win- ding-up activi- ties | Total |
|---|---------|---------|----------------------|-------|------------------------------------|------------------------------------|-------|
| Net interest and fee income | 208 | 0 | 0 | 0 | 208 | 46 | 254 |
| Trading income (excl. value adjustments) | 0 | 0 | 145 | -1 | 144 | 0 | 144 |
| Other income | 0 | 216 | 2 | 0 | 218 | 5 | 223 |
| Total income | 208 | 216 | 147 | -1 | 570 | 51 | 621 |
| Costs | -212 | -44 | -95 | -16 | -367 | -64 | -431 |
| Depreciation and amortisation | 0 | -153 | 0 | 0 | -153 | 0 | -153 |
| Core earnings | -4 | 19 | 52 | -17 | 50 | -13 | 37 |
| Value adjustments | 0 | 0 | 18 | -12 | 6 | 42 | 48 |
| Profit/loss from investments | 0 | 0 | 0 | 0 | 0 | 9 | 9 |
| Profit/loss before impairment writedowns | -4 | 19 | 70 | -29 | 56 | 38 | 94 |
| Writedowns and credit-related value adjustments | 6 | 0 | 0 | 0 | 6 | -56 | -50 |
| Profit/loss before tax | 2 | 19 | 70 | -29 | 62 | -18 | 44 |
| Loans and advances | 2,696 | 36 | 49 | 54 | 2,835 | 942 | 3,777 |
| Bonds | 0 | 0 | 1,592 | 1,993 | 3,585 | 0 | 3,585 |
| Lease assets | 0 | 818 | 0 | 0 | 818 | 0 | 818 |
| Other assets | 4 | 83 | 59 | 1,276 | 1,422 | 97 | 1,519 |
| Total assets | 2,700 | 937 | 1,700 | 3,323 | 8,660 | 1,039 | 9,699 |

DKKm

2015

| | | | | | | | |
|---|-------|------|-------|-------|-------|-------|--------|
| Net interest and fee income | 218 | 0 | 0 | 0 | 218 | -5 | 213 |
| Trading income (excl. value adjustments) | 0 | 0 | 159 | 22 | 181 | 0 | 181 |
| Other income | 0 | 171 | 1 | 0 | 172 | 6 | 178 |
| Total income | 218 | 171 | 160 | 22 | 571 | 1 | 572 |
| Costs | -209 | -39 | -97 | -7 | -352 | -78 | -430 |
| Depreciation and amortisation | 0 | -121 | 0 | 0 | -121 | 0 | -121 |
| Core earnings | 9 | 11 | 63 | 15 | 98 | -77 | 21 |
| Value adjustments | 0 | 0 | -4 | -55 | -59 | 28 | -31 |
| Profit/loss from investments | 0 | 0 | 0 | 0 | 0 | 6 | 6 |
| Profit/loss before impairment writedowns | 9 | 11 | 59 | -40 | 39 | -43 | -4 |
| Writedowns and credit-related value adjustments | -21 | 0 | 0 | 0 | -21 | -306 | -327 |
| Profit/loss before tax | -12 | 11 | 59 | -40 | 18 | -349 | -331 |
| Loans and advances | 2,550 | 29 | 106 | 297 | 2,982 | 1,317 | 4,299 |
| Bonds | 0 | 0 | 1,890 | 2,065 | 3,955 | 0 | 3,955 |
| Lease assets | 0 | 655 | 0 | 0 | 655 | 0 | 655 |
| Other assets | 5 | 142 | 43 | 1,199 | 1,389 | 118 | 1,507 |
| Total assets | 2,555 | 826 | 2,039 | 3,561 | 8,981 | 1,435 | 10,416 |

General:

The segment financial statements show the financial statements broken down by the bank's primary business areas. All activities are located in Denmark. Assets are placed in the business areas to which they are related in terms of operations. All funding is channelled to the bank's treasury function, which is included in the segment other, and which is responsible for the bank's funding and liquidity. Transactions between the segments are settled on market terms. The segment financial statements are in accordance with the bank's internal reporting. The segment financial statements do not comprise a distribution of revenue by products and services. The recognition and measurement criteria are consistent with the group's accounting policies. The line items used are consistent with the financial highlights in the management's review and as described in Accounting policies.

Business areas:

The segment financial statements are segmented according to the bank's business areas and have generally been divided into continuing activities and winding-up activities. Continuing activities form part of the bank's future strategy and represent areas in which the bank wants to expand its business volume. Winding-up activities comprise exposures which do not form part of the future strategy and represent an area in which the bank, in a responsible and financially appropriate manner, aims to reduce its exposure. The individual business areas are described below.

Private:

Provides advisory services and sells financial products to the bank's private customers, both through branch offices in 11 major Danish towns and cities and online. Drawing on the full range of segment capabilities, Private offers optimum solutions, including in connection with wealth management and investment. Private procures most of the deposits for the bank's funding, which is channelled to the bank's treasury function. The funding of Alm. Brand Leasing was transferred from the business area Other to Private effective from 1 January 2015.

Leasing:

Offers operating leases of passenger and commercial vehicles with related car fleet management for businesses. The segment also offers operating leases of passenger cars to private individuals. The business area is anchored in Alm. Brand Leasing A/S, which is a subsidiary of the bank.

Financial Markets:

Comprises Markets and Asset Management. The Markets department handles all of the bank's financial market activities, providing advisory services on and performs securities and currency transactions. In addition, Markets prepares research reports on developments in fixed income, equity and foreign exchange markets. Asset Management has assets under management for both institutional and private investors.

Other:

Comprises the bank's Treasury function, which is responsible for the bank's composition of funding and liquidity management, including the bank's own portfolio. All funding procured by the bank's other business areas is channelled to Treasury, which is responsible for allocation and settlement to the individual business areas. Funding is allocated at a price equivalent to the actual cost of procuring the funding plus a spread to cover administrative expenses and any risks.

Winding-up:

Is the only business area under Winding-up Activities and comprises exposures to small and medium-sized commercial customers, agricultural customers, property development projects, mortgage deeds and a portfolio of car finance contracts. Efforts are made to gradually reduce these exposures, a process which is expected to extend over a number of years.

| DKKm | 2016 | 2015 |
|--|-------|-------|
| Note 39 Contingent liabilities, guarantees and lease agreements | | |
| Guarantee commitments | 1,619 | 1,404 |

The group's companies have made lease and rental agreements for computer equipment and premises with total annual payments of DKK 118 million allocated over a five-year period.

The group's companies have entered into mobile phone leases with a total payment of DKK 1 million, which falls due within 12 months.

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 1.0 billion.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 15 million relating to property.

Forsikringselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 1 million.

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Re-insurance 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 (Winding-up pension fund). 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 is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability.

For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as an administration company. Pursuant to the Danish Corporation Tax Act, the company is therefore, as from the 2013 financial year, jointly and severally liable on behalf of the other jointly taxed companies for income taxes etc. and, as from 1 July 2012, for any obligation to withhold tax on interest, royalties and dividends on behalf of the jointly taxed companies. For a specification of outstanding amounts, see Segment reporting – balance sheet.

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.

| DKK m | 2016 | | | | 2015 | | | | | |
|---|----------|--------|---------|-------|--------|----------|--------|---------|-------|--------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 40 Collateral security | | | | | | | | | | |
| Carrying amounts of assets provided as collateral security for technical provisions | | | | | | | | | | |
| Cash | 0 | 85 | | | 85 | 0 | 109 | | | 109 |
| Bonds | 6,928 | 11,245 | | | 18,173 | 6,900 | 10,511 | | | 17,411 |
| Equity investments and units in unit trusts | 0 | 849 | | | 849 | 0 | 885 | | | 885 |
| Shares in collective investments | 0 | 0 | | | 0 | 0 | 0 | | | 0 |
| Interest receivable | 0 | 40 | | | 40 | 50 | 68 | | | 118 |
| Properties, mortgages registered to owners | 0 | 59 | | | 59 | 0 | 59 | | | 59 |
| Investments in subsidiaries | 0 | 1,563 | | | 243 | 0 | 1,238 | | | -82 |
| Collateral security, year-end | 6,928 | 13,841 | | | 19,449 | 6,950 | 12,870 | | | 18,500 |

Monetary-policy counterparties with the Danish Central Bank can obtain credit only against security through the mortgaging of approved securities.

As part of its current operations, the bank provided collateral security to Danmarks Nationalbank and Clearstream in the form of bonds representing a nominal value of DKK 595 million (2014: DKK 1,875 million). The collateral security provided is not subject to any special conditions.

As collateral for positive and negative fair values of derivative financial instruments, respectively, cash in the amount of DKK 5 million was received and cash in the amount of DKK 103 million was paid at 31 December 2016 (2015: DKK 3 million and DKK 123 million).

In repo transactions (sale of securities which the group agrees to repurchase at a later date), the securities remain in the balance sheet, and the consideration received is recognised under payables. Securities in repo transactions are treated as assets placed as collateral for obligations. The counterparty is entitled to sell or remortgage the securities received.

In reverse transactions (purchase of securities that the group agrees to resell at a later date), the group is entitled to sell or remortgage the securities. The securities are not recognised in the balance sheet, and the consideration paid is recognised under receivables.

Assets received as collateral in connection with reverse transactions may be resold to third parties. If this is the case, a negative portfolio may arise due to the accounting rules. This is recognised under "Other liabilities". As at 31 December 2016, the fair value of financial assets accepted as collateral security which have been sold or remortgaged amounted to DKK 265.2 million (2015: DKK 186.5 million). Alm. Brand Bank is required to return similar securities.

Assets sold as part of repo transactions:

| | | | | | | | | | | |
|---------------------|---|-----|--|--|-----|-----|-----|--|--|-----|
| Bonds at fair value | 0 | 265 | | | 265 | 189 | 187 | | | 187 |
|---------------------|---|-----|--|--|-----|-----|-----|--|--|-----|

Assets bought as part of reverse transactions:

| | | | | | | | | | | |
|---------------------|---|-----|--|--|-----|---|-----|--|--|----|
| Bonds at fair value | 0 | 266 | | | 266 | 0 | 268 | | | 79 |
|---------------------|---|-----|--|--|-----|---|-----|--|--|----|

Note 41 Related parties

The Alm. Brand A/S Group considers the following to be related parties:

- Alm. Brand af 1792 fmba (parent company)
- The Management Board and Board of Directors of Alm. Brand Group
- Key employees

Related parties also include related family members of the Management Board, Board of Directors and key employees 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 arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand af 1792 fmba has acquired additional tier 1 capital issued in Alm. Brand Bank A/S.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S.

An overview of subsidiaries and associates, etc. is provided in the corporate overview.

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value.

On 11 December 2014, Alm. Brand Bank sold non-delinquent mortgage deeds with a total carrying amount of DKK 1.9 billion to Alm. Brand Forsikring. The transaction comprises an option agreement implying that Alm. Brand Forsikring can resell mortgage deeds to the bank if a debtor defaults on his payment obligations. This means that Alm. Brand Bank retains the underlying credit risk for the mortgage deeds, whereas market risks are transferred to Alm. Brand Forsikring, including the risk of interest rate changes and prepayments. The mortgage deeds are no longer recognised in the bank's balance sheet as significant risks and rewards have been transferred to Alm. Brand Forsikring.

Alm. Brand Bank and Alm. Brand Forsikring have entered into a management agreement on the handling of the portfolio of mortgage deeds. In 2016, the bank received management fees of DKK 9.3 million and an option premium of DKK 2 million. The option has a market value of DKK 10 million per 31 december 2016.

Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.

The Company has 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.

See note 29 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:

| | 2016 | | | |
|---------------------------|------------------------------------|----------------------|---|--|
| DKKm | Alm. Brand af 1792 fmba | Key employees | Management Board and Board of Directors of A/S | Companies controlled by members of the Board of Directors |
| Sale of services | 651 | 4 | 4 | 1 |
| Purchase of services | 156 | 0 | 0 | 0 |
| Interest and fee income | 0 | 0 | 0 | 0 |
| Interest and fee expenses | 16 | 1 | 2 | 0 |
| Receivables | 0 | 2 | 1 | 2 |
| Debt | 332 | 41 | 53 | 0 |
| Collateral | 0 | 1 | 1 | 1 |
| Interest rates on loans | | 1,5-5,25% | 1,5-5,25% | 1,5-2,5% |

2015

| | Alm. Brand af 1792 fmba | Alm. Brand subsidiaries (not wholly owned) | Key employees | Management Board and Board of Directors of A/S | Companies controlled by members of the Board of Directors |
|---------------------------|----------------------------|--|---------------|---|--|
| Sale of services | 186 | 2 | 2 | 4 | 1 |
| Purchase of services | 96 | 1 | 0 | 0 | 0 |
| Interest and fee income | 0 | 4 | 0 | 0 | 0 |
| Interest and fee expenses | 17 | 0 | 1 | 1 | 0 |
| Receivables | 0 | 0 | 1 | 1 | 1 |
| Debt | 333 | 0 | 30 | 43 | 0 |
| Collateral | 0 | 0 | 0 | 1 | 0 |
| Interest rates on loans | | | 2,18-8,5% | 2,18-8,5% | 5,00-8,5% |

The buying and selling of services comprising insurance services and the provision of bank products in the form of loans, guarantees, credits and buying/selling of mortgage deeds etc. is made on an arm's length basis. Board members elected by the employees, however, obtain the usual staff terms. Payables comprise deposits with the bank, pension deposits in banking and life insurance etc. No losses or impairment charges were recognised on related party transactions in the financial year or the previous financial year. For information on remuneration paid to the Board of Directors and the Management Board, see note 29 Acquisition costs and administrative expenses.

DKKm 2016 2015

Note 42 Fair value and classification of financial assets, liabilities and instruments

| | Fair value | Amorti- sed cost | Total | Fair value | Amorti- sed cost | Total |
|---|---------------|---------------------|--------|---------------|---------------------|--------|
| <i>Assets at fair value classified on initial recognition</i> | | | | | | |
| Loans and advances | 1,523 | 0 | 1,523 | 1,816 | 0 | 1,816 |
| <i>Assets at fair value held for trading</i> | | | | | | |
| Government bonds | 2,372 | 0 | 2,372 | 2,420 | 0 | 2,420 |
| Mortgage bonds | 19,674 | 0 | 19,674 | 19,910 | 0 | 19,910 |
| Other fixed-rate instruments | 823 | 0 | 823 | 324 | 0 | 324 |
| Other floating-rate instruments | 154 | 0 | 154 | 198 | 0 | 198 |
| Listed shares | 878 | 0 | 878 | 900 | 0 | 900 |
| Unlisted shares | 778 | 0 | 778 | 723 | 0 | 723 |
| Other investment assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Positive market value of derivative financial instruments | 620 | 0 | 620 | 695 | 0 | 695 |
| <i>Loans and receivables</i> | | | | | | |
| Receivables from policyholders | 0 | 158 | 158 | 0 | 134 | 134 |
| Receivables from insurance brokers | 0 | 3 | 3 | 0 | 6 | 6 |
| Receivables from insurance companies | 0 | 1 | 1 | 0 | 2 | 2 |
| Other receivables | 0 | 32 | 32 | 0 | 49 | 49 |
| Pensionskassen under Alm. Brand A/S | 0 | 12 | 12 | 0 | 11 | 11 |
| Interest receivable | 208 | 0 | 208 | 224 | 0 | 224 |
| Balances due from credit institutions and central banks | 0 | 705 | 705 | 0 | 323 | 323 |
| Loans and advances | 3,598 | 3,583 | 3,583 | 3,862 | 3,827 | 3,827 |
| <i>Other assets</i> | | | | | | |
| Owner-occupied properties | 698 | 0 | 698 | 675 | 0 | 675 |
| Investment properties | 905 | 0 | 905 | 939 | 0 | 939 |
| Assets temporarily acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Other assets | 0 | 239 | 239 | 0 | 209 | 209 |
| Prepayments | 0 | 42 | 42 | 0 | 40 | 40 |
| Cash in hand and demand deposits | 0 | 218 | 218 | -7 | 313 | 306 |
| Financial assets, year-end | 32,231 | 4,993 | 33,626 | 32,679 | 4,914 | 33,731 |

| DKKm | 2016 | | | 2015 | | |
|---|------------|----------------|-------|------------|----------------|--------|
| | Fair value | Amortised cost | Total | Fair value | Amortised cost | Total |
| <i>Liabilities at fair value held for trading</i> | | | | | | |
| Negative market value of derivative financial instruments | 475 | 0 | 475 | 485 | 0 | 485 |
| <i>Financial liabilities, amortised cost</i> | | | | | | |
| Subordinated debt | 574 | 574 | 574 | 582 | 574 | 574 |
| Issued bonds | 0 | 0 | 0 | 0 | 5 | 5 |
| Payables to policyholders | 0 | 9 | 9 | 0 | 8 | 8 |
| Payables related to direct insurance | 0 | 15 | 15 | 0 | 12 | 12 |
| Payables related to reinsurance | 0 | 14 | 14 | 0 | 41 | 41 |
| Payables to group enterprises | 0 | 15 | 15 | 0 | 13 | 13 |
| Deposits | 6,963 | 6,953 | 6,953 | 8,024 | 7,999 | 7,999 |
| Payables to credit institutions and central banks | 0 | 694 | 694 | 0 | 710 | 710 |
| <i>Other liabilities</i> | | | | | | |
| Liabilities temporarily acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Other payables | 0 | 533 | 533 | 0 | 481 | 481 |
| Deferred income | 35 | 0 | 35 | 52 | 0 | 52 |
| Financial liabilities, year-end | 8,047 | 8,807 | 9,317 | 9,143 | 9,843 | 10,380 |

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.

Subordinated debt is measured at amortised cost. The difference relative to fair values is assumed to be the interest rate level-independent value adjustment calculated by comparing current market rates with the market rates prevailing when the issues were made. As regards the bank's subordinated debt, changes in fair values due to changes in the bank's own credit rating are not taken into account.

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 5 million at the end of 2016 and are attributable to higher interest rates on the underlying assets and liabilities relative to the level of interest rates at year-end. This adjustment was mainly attributable to Subordinated debt.

In the accounting policies, the calculation of fair values is described further for items recognised at fair value.

| DKKm | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
|---|----------|--------|---------|-------|--------|----------|--------|---------|-------|--------|
| Fair value measurement of financial instruments | | | | | | | | | | |
| Level 1 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Loans and advances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds | 8,194 | 10,101 | 3,531 | 436 | 22,262 | 8,315 | 9,585 | 3,955 | 297 | 22,152 |
| Shares | 0 | 1,422 | 28 | 0 | 1,450 | 0 | 1,398 | 15 | 0 | 1,413 |
| Other assets | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total financial assets | 8,195 | 11,523 | 3,559 | 436 | 23,713 | 8,315 | 10,983 | 3,970 | 297 | 23,565 |
| Financial liabilities | | | | | | | | | | |
| Subordinated debt | 0 | 0 | 175 | 0 | 175 | 0 | 0 | 183 | 0 | 183 |
| Other payables | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Total financial liabilities | 1 | 0 | 175 | 0 | 176 | 0 | 0 | 183 | 0 | 183 |

| DKK m | 2016 | | | | | 2015 | | | | |
|------------------------------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|------------|--------------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Level 2 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Loans and advances | 0 | 0 | 3598 | 0 | 3,598 | 0 | 0 | 4,106 | 0 | 3,862 |
| Bonds | 0 | 699 | 54 | 2 | 755 | 0 | 692 | 0 | 2 | 694 |
| Shares | 0 | 0 | 108 | 0 | 108 | 0 | 0 | 121 | 0 | 121 |
| Other assets | 318 | 464 | 57 | 4 | 827 | 301 | 566 | 74 | 1 | 919 |
| Total financial assets | 318 | 1,163 | 3,817 | 6 | 5,288 | 301 | 1,258 | 4,301 | 3 | 5,596 |
| Financial liabilities | | | | | | | | | | |
| Deposits | 0 | 0 | 7199 | 0 | 6,963 | 0 | 0 | 8,124 | 0 | 8,024 |
| Other payables | 315 | 115 | 274 | 0 | 698 | 296 | 351 | 127 | 0 | 581 |
| Total financial liabilities | 315 | 115 | 7,473 | 0 | 7,661 | 296 | 351 | 8,251 | 0 | 8,605 |
| Level 3 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Loans and advances | 1,329 | 0 | 194 | 0 | 1,523 | 1,588 | 0 | 228 | 0 | 1,816 |
| Bonds | 0 | 6 | 0 | 0 | 6 | 0 | 6 | 0 | 0 | 6 |
| Shares | 8 | 3 | 86 | 1 | 98 | 7 | 3 | 78 | 1 | 89 |
| Investment properties | 16 | 1,580 | 7 | 0 | 905 | 18 | 1,451 | 145 | 0 | 939 |
| Other assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total financial assets | 1,353 | 1,589 | 287 | 1 | 2,532 | 1,613 | 1,460 | 451 | 1 | 2,850 |
| Financial liabilities | | | | | | | | | | |
| Subordinated debt | 149 | 120 | 0 | 250 | 399 | 149 | 120 | 0 | 250 | 399 |
| Deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other payables | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 16 | 0 | 0 |
| Total financial liabilities | 149 | 120 | 10 | 250 | 399 | 149 | 120 | 16 | 250 | 399 |

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

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

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

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

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

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement. The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. There were no transfers between categories in the fair value hierarchy in 2015 or 2016.

Loans, advances and other receivables at fair value comprises mortgage deeds measured using a valuation model which estimates the present value of expected future cash flows. The valuation is based in part on observable market data (interest rates) and in part on expected future redemption and loss rates. Measurement at fair value is based on a swap yield curve plus 50 basis points and expected repayment rates between 0 % and -14%, depending on the remaining term to maturity, and expected loss rates in the 0.75%-4.25% range, depending on property type and loan-to-value ratios. If the average expected repayment rate is increased by 1 percentage point and the expected loss rates are increased by 0.5 of a percentage point, a negative change of the fair value for the market value model of DKK 1.7 million. See note 52 Accounting policies for additional information.

Bonds measured at quoted prices primarily comprise Danish mortgage bonds and, to a lesser extent, Danish government bonds and corporate bonds. Bonds included in level 2 are those which, as a result of an inactive market, are measured based on market rates and yield spreads to these as observed for similar issues. Bonds included in level 3 consist of a minor amount contributed to a fund. If the yield increases by 25 bps, the value of this bond portfolio will decline by DKK 0.2 million.

Shares mainly comprise listed shares and equity futures measured at quoted prices. The bank's unlisted shares consist of sector-owned companies and shares received for credit-defence purposes. For unlisted shares in sector-owned companies where the shares are redistributed, such redistribution is considered to represent the primary market for the shares. The fair value is determined as the redistribution price, and the shares are recognised as level 2 assets. For other unlisted shares and shares received by the bank for credit-defence purposes where no observable input is immediately available, the measurement is based on an estimate which builds on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties. The shares are included in level 3. A 10% drop in share prices would cause the value to decline by DKK 9 million in aggregate.

Other assets comprises interest receivable at DKK 208 million and positive values of derivative financial instruments at DKK 620 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments mainly comprise interest rate swaps, which are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable interest rate points, interpolation between interest rate points and exchange rates. Listed futures and options are measured on the basis of obtainable prices. Unlisted options are measured on the basis of obtainable volatilities, prices of underlying assets and exercise prices using Black-Scholes. Forward exchange transactions are measured on the basis of obtainable forward premiums and exchange rates. Inflation swaps are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable index points og interest rate points, interpolation between these and exchange rates.

Other liabilities comprises interest payable at 5 million and negative values of derivative financial instruments at 694 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments are valued on the basis of listed prices from an active market and using generally accepted valuation models with observable data, including yield curves, volatilities and equity indices.

The vast majority of financial instruments measured at amortised cost (loans, deposits) cannot be transferred without the customer's prior acceptance, and no active market exists for trading in such financial instruments. The specified information on fair value is therefore solely based on changes in interest rates relative to the time of establishment.

Owner-occupied properties and investment properties are measured in the same way. See note 2 for additional information regarding owner-occupied properties and note 9 for additional information about investment properties.

| DKKm | 2016 | | | | 2015 | | | | Total | |
|--|----------|------|---------|-------|----------|-------|---------|-------|-------|-------|
| | Non-life | Life | Banking | Other | Non-life | Life | Banking | Other | | |
| Development in level 3 financial instruments | | | | | | | | | | |
| <i>Loans and advances</i> | | | | | | | | | | |
| Carrying amount, beginning of year | 1,588 | 0 | 228 | 0 | 1,816 | 1,874 | 0 | 307 | 0 | 2,181 |
| Additions during the year | 0 | 0 | 16 | 0 | 16 | 0 | 0 | 16 | 0 | 16 |
| Disposals during the year | -211 | 0 | -70 | 0 | -281 | -193 | 0 | -67 | 0 | -260 |
| Realised value adjustments | 1 | 0 | -25 | 0 | -24 | 1 | 0 | -29 | 0 | -28 |
| Unrealised value adjustments | -49 | 0 | 45 | 0 | -4 | -94 | 0 | 1 | 0 | -93 |
| Carrying amount, year-end | 1,329 | 0 | 194 | 0 | 1,523 | 1,588 | 0 | 228 | 0 | 1,816 |
| Value adjustments recognised in the income statement | -48 | 0 | 20 | 0 | -28 | -93 | 0 | -28 | 0 | -121 |
| <i>Bonds</i> | | | | | | | | | | |
| Carrying amount, beginning of year | 0 | 6 | 0 | 0 | 6 | 53 | 126 | 0 | 0 | 179 |
| Additions during the year | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | -53 | -120 | 0 | 0 | -173 |
| Realised value adjustments | 0 | 0 | 0 | 0 | 0 | 0 | -1 | 0 | 0 | -1 |
| Unrealised value adjustments | 0 | 0 | 0 | 0 | 0 | 0 | -1 | 0 | 0 | -1 |
| Carrying amount, year-end | 0 | 6 | 0 | 0 | 6 | 0 | 6 | 0 | 0 | 6 |
| Value adjustments recognised in the income statement | 0 | 0 | | | 0 | 0 | -2 | | | -2 |

| DKK m | 2016 | | | | | 2015 | | | | |
|--|----------|------|---------|-------|-------|----------|------|---------|-------|-------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| <i>Shares</i> | | | | | | | | | | |
| Carrying amount, beginning of year | 7 | 3 | 78 | 1 | 89 | 8 | 212 | 78 | 0 | 298 |
| Additions during the year | 0 | 1 | 2 | 0 | 3 | 0 | 1 | 5 | 1 | 7 |
| Disposals during the year | 0 | 0 | -3 | 0 | -3 | 0 | -185 | 0 | 0 | -185 |
| Realised value adjustments | 0 | 0 | -2 | 0 | -2 | 0 | -25 | 0 | 0 | -25 |
| Unrealised value adjustments | 1 | -1 | 11 | 0 | 11 | -1 | 0 | -5 | 0 | -6 |
| Carrying amount, year-end | 8 | 3 | 86 | 1 | 98 | 7 | 3 | 78 | 1 | 89 |
| Value adjustments recognised in the income statement | 1 | -1 | 9 | 0 | 9 | -1 | -25 | -5 | 0 | -31 |
| <i>Other liabilities</i> | | | | | | | | | | |
| Carrying amount, beginning of year | 149 | 120 | 16 | 250 | 399 | 149 | 120 | 1 | 250 | 399 |
| Additions during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Realised value adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unrealised value adjustments | 0 | 0 | -6 | 0 | 0 | 0 | 0 | 15 | 0 | 0 |
| Carrying amount, year-end | 149 | 120 | 10 | 250 | 399 | 149 | 120 | 16 | 250 | 399 |
| Value adjustments recognised in the income statement | 0 | 0 | -6 | 0 | 0 | 0 | 0 | 15 | 0 | 0 |

See note 9 for a specification from 1 January to 31 December of the investment properties.

Value adjustments are recognised in the income statement under value adjustments.

Rating of bonds

| | | | | | | | | | | |
|-------------------------------|-------|--------|-------|-----|--------|-------|--------|-------|-----|--------|
| Rated AAA | 7,329 | 9,359 | 2,641 | 351 | 19,680 | 7,830 | 8,995 | 3,425 | 297 | 20,547 |
| Rated AA- to AA+ | 535 | 942 | 781 | 85 | 2,343 | 485 | 919 | 320 | 0 | 1,724 |
| Rated A- to A+ | 124 | 176 | 38 | 0 | 338 | 0 | 227 | 64 | 0 | 291 |
| Others | 206 | 329 | 125 | 2 | 662 | 0 | 142 | 146 | 2 | 290 |
| Bonds at fair value, year-end | 8,194 | 10,806 | 3,585 | 438 | 23,023 | 8,315 | 10,283 | 3,955 | 299 | 22,852 |

Note 43 Return on financial instruments

| | On initial recognition, fair value | Held for trading, fair value | Assets at amortised cost | Debt at amortised cost | Total | On initial recognition, fair value | Held for trading, fair value | Assets at amortised cost | Debt at amortised cost | Total |
|---|------------------------------------|------------------------------|--------------------------|------------------------|-------|------------------------------------|------------------------------|--------------------------|------------------------|-------|
| Interest income, etc. | 47 | 578 | 194 | 0 | 819 | 59 | 621 | 235 | 0 | 915 |
| Fee income etc. | 7 | 79 | 48 | 0 | 134 | 13 | 75 | 40 | 0 | 128 |
| Other income | | -7 | 230 | 0 | 223 | | -10 | 189 | 0 | 179 |
| Total income | 54 | 650 | 472 | 0 | 1,176 | 72 | 686 | 464 | 0 | 1,222 |
| Interest expenses | | -90 | 0 | -38 | -128 | | -111 | 0 | -95 | -206 |
| Value adjustments excluding credit losses on mortgage deeds | 38 | 422 | 0 | 0 | 460 | -85 | -340 | 0 | 0 | -425 |
| Credit losses on mortgage deeds | -26 | 0 | 0 | 0 | -26 | -74 | 0 | 0 | 0 | -74 |
| Impairment of loans, advances and receivables, etc. | 0 | 0 | -23 | 0 | -23 | | 0 | -253 | 0 | -253 |
| Profit/loss before tax | 66 | 982 | 449 | -38 | 1,459 | -87 | 235 | 211 | -95 | 264 |

Fee income from management activities amounted to DKK 103 million (2015: DKK 108 million), and fee expenses from management activities amounted to DKK 5 million (2015: DKK 5 million).

| DKKkM | 2016 | | | 2015 | | |
|--|------------------|-------------------------|-------|------------------|-------------------------|-------|
| | Deriva- tives | Repo agree- ments | Total | Deriva- tives | Repo agree- ments | Total |
| Note 44 Offsetting | | | | | | |
| Financial assets | | | | | | |
| Recognised assets, gross | 620 | 266 | 886 | 695 | 82 | 777 |
| Liabilities offset in the balance sheet | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets stated at net amounts in the balance sheet | 620 | 266 | 886 | 695 | 82 | 777 |
| <i>Related amounts which have not been offset in the balance sheet</i> | | | | | | |
| Financial instruments | -12 | 0 | -12 | -10 | 0 | -10 |
| Financial collateral | -290 | -266 | -556 | -365 | -82 | -447 |
| Net amounts | 318 | 0 | 318 | 320 | 0 | 320 |
| Financial liabilities | | | | | | |
| Recognised liabilities, gross | 475 | 266 | 741 | 485 | 0 | 485 |
| Assets offset in the balance sheet | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities stated at net amounts in the balance sheet | 475 | 266 | 741 | 485 | 0 | 485 |
| <i>Related amounts which have not been offset in the balance sheet</i> | | | | | | |
| Financial instruments | -12 | 0 | -12 | -10 | 0 | -10 |
| Financial collateral | -185 | -266 | -451 | -142 | 0 | -142 |
| Net amounts | 278 | 0 | 278 | 333 | 0 | 333 |

Derivative financial instruments are recognised in the balance sheet at fair value. Negative fair values are included under Other liabilities, while positive fair values in the banking segment are included under Other assets and in the other segments under Investment assets. Financial instruments in the balance sheet are comprised by framework agreements for netting or other agreements. Assets and liabilities are offset when Alm. Brand and the counterparty have a legally enforceable right to offset the recognised amounts and subsequently realise the assets and settle the liability simultaneously. Alm. Brand uses master netting agreements, which entitle the group to offset amounts when a counterparty is in default as the exposure to the counterparty in such a case would be reduced because of collateral security received. Collateral security reduces the exposure if a counterparty is in default, but it does not meet the criteria for offsetting in accordance with IFRS.

| DKKkM | 2016 | | | | | 2015 | | | | |
|---|----------|--------|---------|-------|--------|----------|--------|---------|-------|--------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| Note 45 Financial instruments by term to maturity | | | | | | | | | | |
| <i>Bonds</i> | | | | | | | | | | |
| Expiry within 1 year | 1,259 | 731 | 709 | 147 | 2,846 | 539 | 371 | 1,122 | 0 | 2,032 |
| Expiry between 1 year and 5 years | 4,145 | 2,006 | 1,671 | 272 | 8,094 | 4,771 | 1,967 | 1,321 | 273 | 8,332 |
| Expiry after more than 5 years | 2,790 | 8,069 | 1,205 | 19 | 12,083 | 3,005 | 7,945 | 1,512 | 26 | 12,488 |
| Bonds, year-end | 8,194 | 10,806 | 3,585 | 438 | 23,023 | 8,315 | 10,283 | 3,955 | 299 | 22,852 |
| <i>Cash in hand and balances at call</i> | | | | | | | | | | |
| Expiry within 1 year | 214 | 35 | 190 | 16 | 218 | 58 | 86 | 262 | 0 | 306 |
| 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 |
| Cash in hand and balances at call, year-end | 214 | 35 | 190 | 16 | 218 | 58 | 86 | 262 | 0 | 306 |
| <i>Loans, advances and receivables</i> | | | | | | | | | | |
| Expiry within 1 year | 191 | 29 | 2,036 | 17 | 2,273 | 193 | 17 | 1,348 | 22 | 1,336 |
| Expiry between 1 year and 5 years | 233 | 0 | 756 | 0 | 989 | 273 | 0 | 1,400 | 0 | 1,673 |
| Expiry after more than 5 years | 1,038 | 0 | 1,673 | 0 | 2,711 | 1,247 | 0 | 1,852 | 0 | 3,099 |
| Loans, advances and receivables, year-end | 1,462 | 29 | 4,465 | 17 | 5,973 | 1,713 | 17 | 4,600 | 22 | 6,108 |
| <i>Deposits and payables to credit institutions and central banks</i> | | | | | | | | | | |
| Expiry within 1 year | 96 | 279 | 6,926 | 0 | 7,067 | 67 | 534 | 7,655 | 0 | 7,970 |
| Expiry between 1 year and 5 years | 0 | 0 | 109 | 0 | 107 | 0 | 0 | 135 | 0 | 132 |
| Expiry after more than 5 years | 0 | 0 | 511 | 0 | 511 | 0 | 0 | 668 | 0 | 668 |
| Deposits and payables to credit institutions and central banks, year-end | 96 | 279 | 7,546 | 0 | 7,685 | 67 | 534 | 8,458 | 0 | 8,770 |

| DKKm | 2016 | | | | 2015 | | | | | |
|-----------------------------------|----------|------|---------|-------|-------|----------|------|---------|-------|-------|
| | Non-life | Life | Banking | Other | Total | Non-life | Life | Banking | Other | Total |
| <i>Issued bonds</i> | | | | | | | | | | |
| Expiry within 1 year | | | 0 | 0 | 0 | | | 0 | 5 | 5 |
| Expiry between 1 year and 5 years | | | 0 | 0 | 0 | | | 0 | 0 | 0 |
| Issued bonds, year-end | | | 0 | 0 | 0 | | | 0 | 5 | 5 |
| <i>Guarantees</i> | | | | | | | | | | |
| Expiry within 1 year | | | 102 | | 102 | | | 196 | | 196 |
| Expiry between 1 year and 5 years | | | 55 | | 55 | | | 63 | | 63 |
| Expiry after more than 5 years | | | 688 | | 688 | | | 556 | | 556 |
| Guarantees, year-end | | | 845 | | 845 | | | 815 | | 815 |
| <i>Financial liabilities</i> | | | | | | | | | | |
| Expiry within 1 year | 315 | 115 | 246 | 0 | 660 | 296 | 351 | 130 | 0 | 568 |
| Expiry between 1 year and 5 years | 0 | 0 | 9 | 0 | 9 | 0 | 0 | 6 | 0 | 6 |
| Expiry after more than 5 years | 0 | 0 | 29 | 0 | 29 | 0 | 0 | 7 | 0 | 7 |
| Financial liabilities, year-end | 315 | 115 | 284 | 0 | 698 | 296 | 351 | 143 | 0 | 581 |

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 Provisions for insurance contracts, which includes the expected cash flow for the group's claims and life insurance provisions.

Note 46 Credit risk

Credit risk by type of financial asset

| | | | | | | | | | | |
|--|--------|--------|-------|-----|--------|--------|--------|-------|-----|--------|
| Government bonds | 0 | 2,314 | 58 | 0 | 2,372 | 0 | 2,376 | 44 | 0 | 2,420 |
| Mortgage bonds | 7,798 | 7,968 | 3,472 | 436 | 19,674 | 8,215 | 7,533 | 3,865 | 297 | 19,910 |
| Other fixed-rate instruments | 350 | 418 | 55 | 0 | 823 | 0 | 278 | 46 | 0 | 324 |
| Other floating-rate instruments | 46 | 106 | 0 | 2 | 154 | 100 | 96 | 0 | 2 | 198 |
| Other investment assets | 10 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 | 0 |
| Reinsurers' share of insurance contracts | 170 | 13 | 0 | 0 | 183 | 227 | 15 | 0 | 0 | 242 |
| Receivables from policyholders | 130 | 28 | 0 | 0 | 158 | 119 | 15 | 0 | 0 | 134 |
| Receivables from insurance brokers | 3 | 0 | 0 | 0 | 3 | 6 | 0 | 0 | 0 | 6 |
| Receivables from insurance companies | 0 | 1 | 0 | 0 | 1 | 0 | 2 | 0 | 0 | 2 |
| Other receivables | 26 | 3 | 0 | 33 | 32 | 30 | 15 | 0 | 34 | 49 |
| Positive market value of derivative financial instruments, gross | 224 | 380 | 22 | 0 | 620 | 200 | 465 | 35 | 0 | 695 |
| Other assets | 151 | 0 | 88 | 0 | 239 | 123 | 0 | 86 | 0 | 209 |
| Interest receivable | 85 | 84 | 35 | 4 | 208 | 85 | 101 | 39 | 1 | 224 |
| Balances due from credit institutions and central banks | 0 | 0 | 688 | 17 | 705 | 0 | 0 | 301 | 22 | 323 |
| Cash in hand and demand deposits | 214 | 35 | 190 | 16 | 218 | 58 | 86 | 262 | 0 | 306 |
| Loans and advances | 1,329 | 0 | 3,777 | 0 | 5,106 | 1,588 | 0 | 4,299 | 0 | 5,643 |
| Maximum credit risk, year-end | 10,536 | 11,350 | 8,385 | 508 | 30,496 | 10,767 | 10,982 | 8,977 | 356 | 30,685 |

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. 98% of the portfolio of credit bonds carries an Investment Grade-rated (BBB 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 | 90 | | | 90 | 79 | | | | | 79 |
| Impairment during the year and reversal of impairment | 2 | | | 2 | 11 | | | | | 11 |
| Impairment, year-end | 92 | | | 92 | 90 | | | | | 90 |

| DKKm | 2016 | | | 2015 | | | |
|--|----------|---------------|-------|----------------|--------------|---------------|---------------|
| | Non-life | Life Banking | Other | Total Non-life | Life Banking | Other | Total |
| 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 | | 3.9% | | 3.9% | | 6.5% | 6.5% |
| Manufacturing and raw materials extraction | | 0.1% | | 0.1% | | 0.1% | 0.1% |
| Energy supplies | | 0.0% | | 0.0% | | 0.0% | 0.0% |
| Construction | | 0.2% | | 0.2% | | 0.2% | 0.2% |
| Trade | | 0.3% | | 0.3% | | 0.2% | 0.2% |
| Transport, restaurant and hotel industry | | 0.0% | | 0.0% | | 0.0% | 0.0% |
| Information and communications | | 0.0% | | 0.0% | | 0.0% | 0.0% |
| Credit and financing and insurance | | 4.4% | | 4.4% | | 10.3% | 10.3% |
| Property administration and trading, business services | | 13.1% | | 13.1% | | 14.9% | 14.9% |
| Other business | | 5.4% | | 5.4% | | 4.2% | 4.2% |
| Business total | | 27.4% | | 27.4% | | 36.4% | 36.4% |
| Private customers | | 72.6% | | 72.6% | | 63.6% | 63.6% |
| Total | | 100.0% | | 100.0% | | 100.0% | 100.0% |
| <i>Impairment</i> | | | | | | | |
| <i>Individual assessment</i> | | | | | | | |
| Impairment, beginning of year | | 1,255 | | 1,255 | | 1,304 | 1,304 |
| Impairment during the year | | 236 | | 236 | | 387 | 387 |
| Reversal of impairment | | -203 | | -203 | | -146 | -146 |
| Loss (written off) | | -240 | | -240 | | -290 | -290 |
| Impairment individual assessment, year-end | | 1,048 | | 1,048 | | 1,255 | 1,255 |
| <i>Collective assessment</i> | | | | | | | |
| Impairment, beginning of year | | 186 | | 186 | | 153 | 153 |
| Impairment during the year | | 13 | | 13 | | 44 | 44 |
| Reversal of impairment | | -31 | | -31 | | -11 | -11 |
| Impairment collective assessment, year-end | | 168 | | 168 | | 186 | 186 |
| Total impairment | | 1,216 | | 1,216 | | 1,441 | 1,441 |
| Interest income relating to loans, advances and receivables, etc. written down | | 31 | | 31 | | 30 | 30 |
| Reasons for individual impairment writedowns | | | | | | | |
| <i>Loans, advances and other receivables before impairment</i> | | | | | | | |
| Estate administration | | 187 | | 187 | | 272 | 272 |
| Debt collection | | 107 | | 107 | | 111 | 111 |
| Uncollectible claims | | 1,307 | | 1,307 | | 1,650 | 1,650 |
| Total | | 1,601 | | 1,601 | | 2,033 | 2,033 |
| <i>Impairment, etc.</i> | | | | | | | |
| Estate administration | | 184 | | 184 | | 252 | 252 |
| Debt collection | | 91 | | 91 | | 94 | 94 |
| Uncollectible claims | | 773 | | 773 | | 909 | 909 |
| Total | | 1,048 | | 1,048 | | 1,255 | 1,255 |
| Loans, advances and other receivables after impairment, year-end | | 553 | | 553 | | 778 | 778 |

| DKKm | 2016 | | | | 2015 | | | |
|--|----------|--------------|-------|-------|----------|--------------|-------|-------|
| | Non-life | Life Banking | Other | Total | Non-life | Life Banking | Other | Total |
| Description of value of security for loans found to be impaired after individual assessment | | | | | | | | |
| <i>Value of security</i> | | | | | | | | |
| Real property, private | | 92 | | 92 | | 83 | | 83 |
| Real property, commercial | | 590 | | 590 | | 809 | | 809 |
| Cash and highly marketable securities | | 1 | | 1 | | 8 | | 8 |
| Cars | | 0 | | 0 | | 1 | | 1 |
| Other security | | 59 | | 59 | | 89 | | 89 |
| Value of security, year-end | | 742 | | 742 | | 990 | | 990 |

Collateral security is valued on the following basis:

Real property; Estate agent valuation, reasoned internal assessment or public assessment considering type of property, location, condition and estimated marketability.

Cash and cash equivalents; Official price where available and otherwise the transaction price obtainable in a transaction between independent parties.

Goods, cars; Assessment from BilpriserPro considering type, model and age.

Personal property, other collateral; based on individual assessments.

The collateral security stated is unstressed. In the calculation of impairment writedowns on agricultural and property exposures in financial difficulty, the value of collateral security is calculated on the basis of realisable value upon a sale within six months.

Realised security, including conditions

Value of realised security

| | | | | |
|----------------------------------|---|---|---|---|
| Cars | 2 | 2 | 1 | 1 |
| Total value of realised security | 2 | 2 | 1 | 1 |

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.

Loans, advances and other receivables, etc. in arrears

Age composition of assets that are past due but not impaired

| | | | | |
|-------------------------|---|---|---|---|
| Up to three months | 2 | 2 | 3 | 3 |
| Three to six months | 0 | 0 | 0 | 0 |
| Six to twelve months | 0 | 0 | 1 | 1 |
| More than twelve months | 1 | 1 | 1 | 1 |
| Arrears, year-end | 3 | 3 | 5 | 5 |

Description of security for loans in arrears

Value of security

| | | | | |
|---------------------------------------|-----|-----|-----|-----|
| Real property, private | 103 | 103 | 107 | 107 |
| Real property, commercial | 24 | 24 | 25 | 25 |
| Cash and highly marketable securities | 4 | 4 | 4 | 4 |
| Cars | 6 | 6 | 2 | 2 |
| Other security | 0 | 0 | 1 | 1 |
| Value of security, year-end | 137 | 137 | 139 | 139 |

Description of the total value of security at the balance sheet date

Value of security

| | | | | |
|---------------------------------------|-------|-------|-------|-------|
| Real property, private | 2,218 | 2,218 | 1,979 | 1,979 |
| Real property, commercial | 1,497 | 1,497 | 1,859 | 1,859 |
| Cash and highly marketable securities | 95 | 95 | 87 | 87 |
| Cars | 64 | 64 | 56 | 56 |
| Other security | 85 | 85 | 192 | 192 |
| Value of security, year-end | 3,959 | 3,959 | 4,173 | 4,173 |

The assets are marked to market. See description earlier in this note.

Under the total credit exposure, DKK 1.3 billion (2015: DKK 1.6 billion) concerns a loss option to cover mortgage deeds in Alm. Brand Forsikring, whereas the associated collateral in real property is not included.

| DKKm | 2016 | | | 2015 | | | |
|--|----------|--------------|--------|----------------|--------------|-------|--------|
| | Non-life | Life Banking | Other | Total Non-life | Life Banking | Other | Total |
| Credit quality | | | | | | | |
| The credit quality is quantified on the basis of the credit quality categories of the Danish Financial Supervisory Authority, according to which loans and advances with normal credit quality are categorised in 2a and 3, loans and advances with certain indications of weakness are categorised in 2b, loans and advances with substantial weaknesses are categorised in 2c and loans and advances with an objective evidence of impairment are categorised in category 1. | | | | | | | |
| <i>Loans, advances and other receivables at fair value – by credit quality category</i> | | | | | | | |
| Loans and advances with normal credit quality | 916 | 67 | 983 | 1,126 | 85 | | 1,211 |
| Loans and advances with certain indications of weakness | 128 | 27 | 155 | 150 | 21 | | 171 |
| Loans and advances with substantial weaknesses | 115 | 40 | 155 | 125 | 34 | | 159 |
| Loans that are neither due nor impaired | 1,159 | 134 | 1,293 | 1,401 | 140 | | 1,541 |
| Loans and advances with an objective evidence of impairment | 11 | 702 | 713 | 24 | 799 | | 823 |
| Total residual debt before value adjustment etc. | 1,170 | 836 | 2,006 | 1,425 | 939 | | 2,364 |
| Value adjustments etc. | 159 | -642 | -483 | 163 | -711 | | -548 |
| Loans, advances and other receivables at fair value, year-end | 1,329 | 194 | 1,523 | 1,588 | 228 | | 1,816 |
| Of value adjustments etc. of DKK 483 million, (2015: DKK 548 million) DKK 659 million (2015: DKK 727 Million) was attributable to credit-related value adjustments at 31 December 2016. | | | | | | | |
| <i>Loans, advances and other receivables at amortised cost – by credit quality category</i> | | | | | | | |
| Loans and advances with normal credit quality | | 1,756 | 1,756 | | 2,085 | | 2,085 |
| Loans and advances with certain indications of weakness | | 1,075 | 1,075 | | 953 | | 953 |
| Loans and advances with substantial weaknesses | | 169 | 169 | | 153 | | 153 |
| Loans that are neither due nor impaired | | 3,000 | 3,000 | | 3,191 | | 3,191 |
| Loans and advances with an objective evidence of impairment | | 1,793 | 1,793 | | 2,313 | | 2,313 |
| Total residual debt before value adjustment etc. | | 4,793 | 4,793 | | 5,504 | | 5,504 |
| Value adjustments etc. | | -1,211 | -1,211 | | -1,433 | | -1,433 |
| Loans, advances and other receivables at amortised cost, year-end | | 3,582 | 3,582 | | 4,071 | | 4,071 |
| <i>Guarantee debtors – by credit quality category</i> | | | | | | | |
| Guarantee debtors with normal credit quality | | 596 | 596 | | 529 | | 529 |
| Guarantee debtors with certain indications of weakness | | 208 | 208 | | 145 | | 145 |
| Guarantee debtors with substantial weaknesses | | 2 | 2 | | 1 | | 1 |
| Guarantee debtors that are neither due nor impaired | | 806 | 806 | | 675 | | 675 |
| Guarantee debtors with an objective indication of impairment | | 206 | 206 | | 147 | | 147 |
| Total guarantee debtors before provisions etc. | | 1,012 | 1,012 | | 822 | | 822 |
| Provisions etc. | | -5 | -5 | | -8 | | -8 |
| Guarantee debtors, year-end | | 1,007 | 1,007 | | 814 | | 814 |

| DKK ^m | 2016 | 2015 |
|---|--------|--------|
| Note 47 Market risk | | |
| <i>Currency risk</i> | | |
| Foreign currency positions: | | |
| Long positions | 4,213 | 8,874 |
| Short positions | -1,581 | -7,236 |
| Net positions | 2,632 | 1,638 |
| Foreign currency positions distributed on the five largest net positions: | | |
| EUR | 1,619 | 719 |
| SEK | 318 | 332 |
| NOK | 85 | 52 |
| BRL | 61 | 75 |
| IDR | 57 | 51 |
| Other | 492 | 409 |
| Total foreign currency positions | 2,632 | 1,638 |
| <i>Interest rate risk</i> | | |
| Total interest rate risk calculated according to the group's internal | 1,392 | 1,258 |

The internal calculation approach is used for the management of day-to-day risk. The calculation approach applies modified option-adjusted durations for the calculation of interest rate risk in the event of a 1 percentage point increase in interest rates. Interest rate risk is measured as the expected loss on interest rate positions that would result from an immediate upwards or downwards change in all interest rates by 1 percentage point. The interest rate risk is calculated for each currency.

| DKK ^m | 2016 | | | | | % of share-holders' equity |
|--|----------|-----------------------------|---------|-------|-------|----------------------------|
| | Non-life | Life, share-holders' equity | Banking | Other | Total | |
| Note 48 Sensitivity information | | | | | | |
| <i>Sensitivity information, group</i> | | | | | | |
| Risk on shareholders' equity in case of specific events: | | | | | | |
| Interest rate increase of 1 percentage point | -35 | -16 | -16 | -5 | -72 | -138.5% |
| Interest rate fall of 1 percentage point | -46 | 16 | -5 | 5 | -30 | -57.7% |
| Share price fall of 15% | -29 | 0 | -34 | 0 | -63 | -121.2% |
| Fall in property prices of 15% | -2 | 0 | -1 | 0 | -3 | -5.8% |
| Currency risks excluding EUR, 25% decline | 0 | 22 | 0 | 22 | 42.3% | |
| 1 percentage point spread widening | -273 | -22 | -122 | -1 | -418 | -803.8% |
| Catastrophe events: | | | | | | |
| - one "100-year event" | -98 | 0 | 0 | 0 | -98 | -188.5% |
| - two "100-year events" | -224 | 0 | 0 | 0 | -224 | -430.8% |

*) Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to the life group's shareholders' equity do not include risks related to securities owned by the policyholders.

Note 50 Capital and risk management contains a description of the risks assumed by the group.

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|--------|--------|--------|--------|
| Note 49 Key ratios for the banking group | | | | | |
| Solvency ratio | 18.1% | 17.2% | 17.8% | 18.4% | 18.5% |
| Tier 1 ratio | 18.1% | 17.2% | 17.8% | 17.7% | 13.9% |
| Return on equity before tax | 2.9% | -20.4% | -15.7% | -33.8% | -41.6% |
| Return on equity after tax | 2.4% | -15.4% | -8.8% | -27.9% | -30.6% |
| Income/cost ratio | 1.07 | 0.59 | 0.56 | 0.38 | 0.42 |
| Interest rate risk | 1.0% | 0.4% | 2.0% | 3.4% | 1.5% |
| Foreign exchange position | 12.7% | 13.6% | 3.6% | 21.3% | 7.1% |
| Foreign exchange risk | 0.1% | 0.1% | 0.0% | 0.2% | 0.1% |
| Loans and advances as a percentage of deposits | 69.4% | 70.8% | 55.1% | 80.3% | 87.8% |
| Gearing of loans and advances | 2.5 | 2.9 | 2.7 | 4.3 | 7.2 |
| Annual growth in lending | -8.1% | -11.7% | -36.6% | -12.6% | -17.8% |
| Excess cover relative to statutory liquidity requirement | 274.9% | 270.6% | 322.0% | 201.6% | 248.7% |
| Total amount of large exposures | 28.9% | 146.8% | 58.5% | 63.0% | 60.9% |
| Impairment ratio for the year | 40.0% | 390.0% | 210.0% | 210.0% | 280.0% |
| Return on capital employed | 0.4% | -2.4% | -1.0% | -2.2% | -2.3% |

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.

NOTE 50 CAPITAL AND RISK MANAGEMENT**Capital management**

The capital management is based on three key business objectives:

- Having solid capital strength which supports the statutory requirements
- Generating a return on average shareholders' equity of 12.5% before tax
- Supporting a stable dividend policy

As a result, Alm. Brand's subsidiaries have defined capital targets which provide a buffer relative to the solvency requirements for their capital. To this should be added an allowance in the parent company specifically related to the extraordinary risk associated with the winding-up bank. The capital targets are described on [pages 49-50](#). The capital target reflects management's intention that the group's capital resources should be sufficiently robust to be able to absorb a number of external events or strong adverse developments in the financial markets.

If Alm. Brand has total capital equivalent to the defined capital targets, management believes that the three objectives mentioned above will have been met.

The total capital may consist of shareholders' equity and tier 2 capital. The aim is for shareholders' equity to constitute most of the total capital.

Risk management

The purpose of the risk management function of the Alm. Brand Group is to ensure ongoing, proactive risk management in day-to-day activities based on common sense with the aim of minimising losses as a result of unpredictable events. Managing the group's risk exposure is a key management priority because uncontrolled developments in different risks may have a substantial impact on financial performance and capitalisation and, by extension, on the future business potential. Alm. Brand has three independent business areas. This means that reporting and sparring must be aligned to the specific business areas in order to make risk management relevant for the business and, hence, for the customers. The decentralised entities in Alm. Brand's risk management system include the non-life insurance actuarial department dealing with non-life insurance risks, the life insurance actuarial department dealing with life insurance risks, the credit secretariat dealing with the bank's credit risks, a special committee dealing with IT-related risks and

Risk Management dealing with market risk and capital management for the group. In other words, the structure of risk management is decentralised with respect to the principal business risks, while the overall risk management is followed up at group level. At least once annually, the Board of Directors of each individual subsidiary defines and approves the company's overall policy for assuming risk and sets up the overall risk guidelines as well as the scope of the reporting requirements. The Board of Directors performs an ongoing assessment of the individual and aggregate risks in the relevant company and in that connection determines whether the risks are acceptable. On the basis of the Board of Directors' powers, the Management Board determines the day-to-day risk management.

The group's central risk forum (RISKO) is a group risk committee, the objective of which is to ensure advice, coordination and uniformity in the group companies with respect to accepting, calculating and reporting risk. The risk manager provides information to the risk committee. In addition, a group investment committee ensures that the group's investments and market risks are within the limits defined by the Board of Directors and the policies of the individual companies.

The statutory audit committee of Alm. Brand provides risk and capital management support to the Board of Directors and other bodies. The audit committee comprises three members of the Board of Directors.

The compliance function assists management in ensuring that the companies' methods and procedures are adequate to ensure compliance with the legislation and rules in force from time to time as well as ethical standards. Internal Audit oversees the administrative and financial reporting procedures, control procedures and compliance with management's policies and guidelines.

In addition, a forum for operational risk collates information about operational events in Alm. Brand Liv og Pension, Alm. Brand Forsikring and Alm. Brand Bank. Participating in this forum are Risk Management, Compliance, IT and Internal Audit. Moreover, the group has set up an approval committee for financial products. 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.

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED

Risk factors

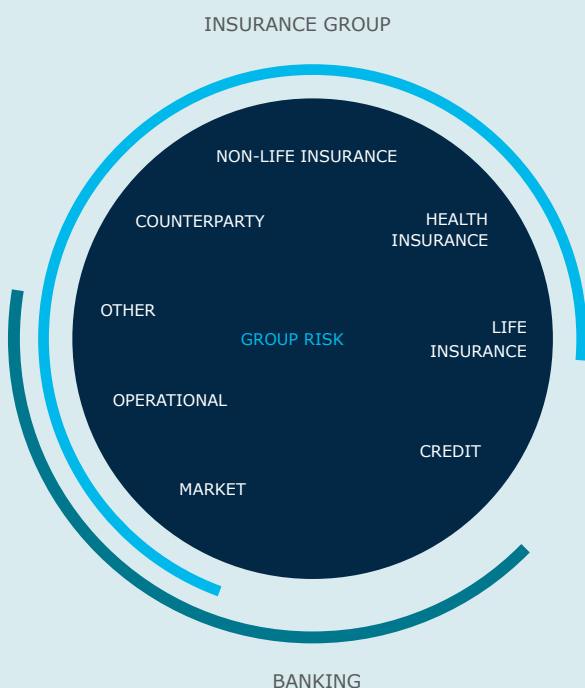
We take various types of calculated risk in support of the group’s long-term business objectives. The content and size of risks encountered in the various business areas differ considerably, but generally risk parameters for the group can be illustrated as shown in the figure below.

The risk factors in Alm. Brand Forsikring, Alm. Brand Alm. Brand Liv og Pension and Alm. Brand Bank are described in detail below.

Non-life Insurance

In all significant areas, it has been considered what the desired risk profile of Alm. Brand Forsikring is. Business procedures and controls in that respect have been designed and reports are submitted to the Board of Directors and Management Board of Alm. Brand Forsikring A/S on a regular basis.

Risk parameters



Insurance risks

The primary risks are premium risks (the risk of claims expenses and costs exceeding premium income), claims provision risks (the risk of provisions being too low relative to the ultimate cost of the loss) and catastrophe risks (the cost of extreme events).

Rules governing acceptance and writing of new business at customer and product level reduce premium risks. Written risks are assessed for the possibility that several policies can be affected by the same loss event (accumulation). Moreover, each customer adviser has been given instructions as to what risks can be accepted. In addition, premium risks are reduced through the use of reinsurance and by frequently monitoring trends in tariff parameters.

The most important reasons for claims provision risks are model and calculation uncertainties as to claims provisions and claims inflation. The amount of run-off gains and losses is evaluated in the annual actuarial report relative to the expectations from the company’s partial internal model. This check contributes to providing a true and fair view of the risk of run-off losses.

Catastrophe risk is covered through reinsurance. The purpose of the reinsurance programme is to ensure that a single loss event or a random accumulation of large losses does not lead to an unacceptable loss of capital and, moreover, the purpose is to reduce the size of fluctuations in technical results.

The largest single risks in Alm. Brand Forsikring are natural disasters and terrorism events. The company’s risk associated with natural disasters is assessed using the partial internal model and a number of scenarios based on portfolio exposure and on a calculated probability. Both show that the current reinsurance programme will provide cover at least for losses resulting from a 1:200-year storm.

For 2017, Alm. Brand Forsikring purchased catastrophe reinsurance cover for up to DKK 4.3 billion with retention of DKK 75 million. Reinsurance supplemented by facultative coverage covers fire claims with retention of DKK 30 million, while personal injury on accident and workers’ compensation claims are covered with retention of DKK 20 million. In addition, frequency cover has been taken out against major fire events and against extraordinarily many windstorm and precipitation events (cloudbursts, snow load etc.).

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED

The risk of a terrorism event is not always comprised by the insured risks. In cases in which Alm. Brand Forsikring covers this type of event, the company’s risk is covered by one of the following two options: First of all, the so-called terrorism pool covers losses involving nuclear, biological or chemical risks. Secondly, Alm. Brand Forsikring through own programmes has coverage directed at claims in connection with terrorist attacks due to other (“conventional”) causes. In addition, specific coverage has been taken out on selected buildings in respect of conventional terrorism events.

Health insurance risks

Health insurance risk arises as a result of the insurance group’s writing of workers’ compensation and personal accident insurance. These policies all give rise to both premium, claims provision and catastrophe risks, as described in the section on non-life insurance risks.

Particularly workers’ compensation insurance is affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Such factors have a tendency to drive up the number of insurance-covered claims and average claims expenses. These external risk factors arise due to trends in society and are difficult to predict, thereby making it difficult to price health insurance risks correctly.

Because workers’ compensation insurance is of a longer-tail nature and because the legislative framework is more complicated, the potential impact of risk factors on the results of workers’ compensation lines is greater compared with personal accident lines.

Market risks

The management of market risk is intended to ensure achievement of an optimum return without putting the total capital of Alm. Brand Forsikring at risk of significant deterioration due to financial market developments or financial difficulties of individual issuers.

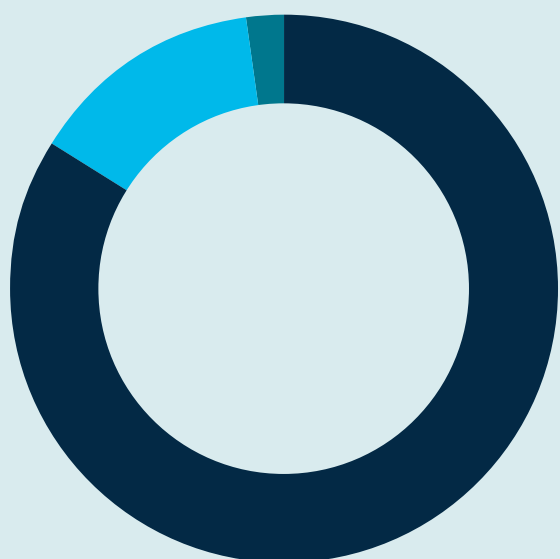
The asset allocation of Alm. Brand Forsikring at 31 December 2016 reflects a focus on stable returns and low investment risk. The investment assets of Alm. Brand Forsikring are predominantly placed in interest-bearing assets, most of which are Danish mortgage bonds with a high credit rating. The average duration is between two and three years.

The interest rate risk on assets and liabilities is monitored on an ongoing basis. Interest rate swaps are used to adjust the interest rate risk on the assets. Throughout most of 2016, the risk profile was neutral relative to interest rate changes.

In late 2014, Alm. Brand Forsikring acquired most of Alm. Brand Bank’s portfolio of mortgage deeds. The transaction contained an option agreement to protect Alm. Brand Forsikring against future credit losses. This means that Alm. Brand Forsikring can deliver back mortgage deeds to the bank if the mortgage deed debtors default on their payment obligations. The bank thus retains the credit risk, whereas Alm. Brand Forsikring only assumes the market risk associated with investing in the mortgage deeds.

About 2% of the portfolio is placed in equities, and less than 1% of the assets are placed in unlisted equities, primarily in the form of strategic sector equities. Sector equities are held for the purpose of supporting the insurance activities.

**Investment assets,
Non-life Insurance**



- 84% bonds
- 14% mortgage deeds
- 2% equities

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED

The currency risk of Alm. Brand Forsikring is related partly to a limited exposure to bonds denominated in foreign currency and partly to positive market values of derivative fixed-income instruments denominated in foreign currency.

Through its holding of Danish mortgage bonds, Alm. Brand Forsikring is exposed to rising mortgage yields.

Counterparty risks

Counterparty risk arises when a counterparty in a financial agreement fails to meet its obligations. Counterparty risk is broken down into two types in the solvency calculation. Type 1 counterparty risk covers exposure to large financial enterprises, for instance due to reinsurance agreements or financial contracts. Type 2 counterparty risk covers the risk that ordinary insurance customers fail to pay what they owe to Alm. Brand Forsikring.

Type 1 counterparty risk related to reinsurance arises for example if Alm. Brand Forsikring's reinsurers go into insolvent liquidation, resulting in a partial loss of receivables and in new coverage of the business having to be purchased. In order to minimise the risk related to each reinsurer, reinsurers must be rated at least A- with Standard & Poor's or A.M. Best. Deviations from this rating must be approved by the Board of Directors.

Financial counterparties are most often credit institutions in which case the receivable arises in a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account, which creates a type 1 counterparty risk. Placement limits contain restrictions as to the companies' maximum receivable from specific credit institutions.

Alm. Brand Forsikring limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with the counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if

they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

In addition, Alm. Brand Forsikring has type 1 counterparty risk on Alm. Brand Bank. This is due to Alm. Brand Forsikring's option to sell back delinquent mortgage deeds to Alm. Brand Bank. The capital strength of Alm. Brand Bank is monitored on an ongoing basis to ensure that Alm. Brand Bank can honour any claims from Alm. Brand Forsikring arising due to delinquent mortgage deeds.

Receivables from policyholders in Alm. Brand Forsikring arise on an ongoing basis and an allowance is made in that respect in the solvency requirement as type 2 counterparty risk.

Other risks

Weather-related events put Alm. Brand Forsikring's liquidity the most under pressure. However, liquidity risk is limited because the companies' premiums are pre-paid. Moreover, the possibility of procuring liquidity by realising assets is very significant.

Life and Pension**Life insurance risks**

Biometric risks consist of mortality, longevity, disability, catastrophe risk, costs and option risk (risk related to the scope of surrender and re-writing to paid-up policies). Disability and mortality risks are limited by guidelines for how large a risk the company may accept. It is currently standard policy with Alm. Brand Liv og Pension A/S to only write risk coverage subject to the customer providing individual health information. Alm. Brand Liv og Pension has a single product of a limited scope in which corporate pension schemes are offered against provision of limited personal health information. Moreover, risks are limited through a reinsurance programme which mitigates the effects of losses incurred on large customers. The reinsurance programme also comprises catastrophe cover in the event of several customers/lives being hit by the same event.

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED

To cover any future fluctuations in mortality or disability rates, a risk allowance is added to market value provisions, which is calculated on the basis of the value of the cost of capital charge for future solvency capital requirements (the so-called cost of capital approach of Solvency II). The market value parameters for use in the calculation of market value provisions are assessed at least once a year.

Alm. Brand Liv og Pension’s breakdown into contribution groups means that generally there is no collective bonus potential in the contribution groups for mortality, longevity and disability, respectively.

This generally implies that losses incurred in these groups will be paid through equity. However, the overall buffers may be applied through the use of negative bonus, thereby limiting the risk to the reaction rate of bonus rate adjustments.

Alm. Brand Liv og Pension has a relatively small exposure to longevity, as the portfolio is predominantly composed of

capital, retirement and instalment pension schemes. Alm. Brand uses the Danish Financial Supervisory Authority’s benchmark for longevity assumptions for the calculation of provisions – and the Solvency II standard formula for the assessment of longevity risk.

Health insurance risks

New health and personal accident business in Alm. Brand Liv og Pension is written outside the framework of guaranteed interest, ensuring that the customers receive a sharper but also more flexible insurance price. These policies give rise to both premium, claims provision and catastrophe risks but are also affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Premium risk is limited to one year due to the possibility of a quick change of price

Market risks

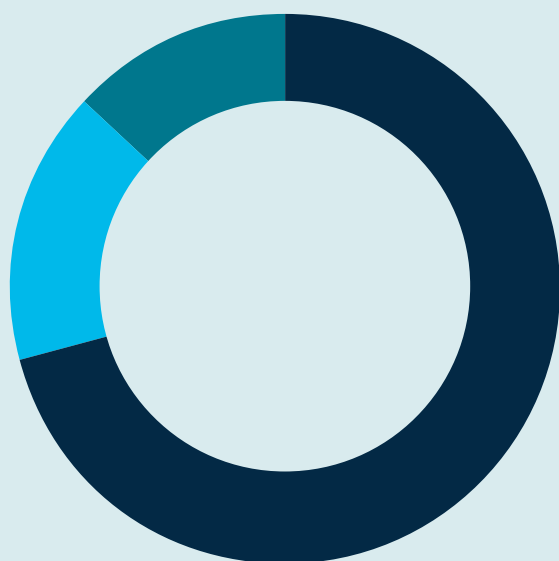
Alm. Brand Liv og Pension’s insurance portfolio is divided into four interest rate contribution groups characterised by the different guarantee levels on which the insurances are based.

The interest rate decline in 2016 had an adverse impact on the investment buffers in some of the interest rate contribution groups, but the overall buffers nevertheless remained unchanged. It has become more difficult to continually achieve a satisfactory investment return relative to the guarantee levels. The investment strategies of the individual interest rate contribution groups are carefully designed to match the investment buffers of each individual group. This means that the highest interest rate contribution group has a relatively small share of higher-risk assets relative to provisions.

Alm. Brand Liv og Pension has introduced the principle that the full amount of any surplus on the policies’ interest rate, risk or expense results must be used to lower the future required rate of return on the insurances. This gradually reduces the guarantees for the interest rate groups and has the effect that, over time, they will be moved to interest rate groups with lower guarantees.

No new business is written in the highest group, which predominantly consists of insurances under disbursement or close to retirement, and the portfolio is thus gradually reduced. At 31 December 2016, the portfolio amounted to DKK 2.7 billion or approximately 25% of total provisions.

Investment assets, policyholders’ funds, Life and Pension



- 72% bonds
- 12% property
- 16% equities

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED

At least once each month and otherwise as needed, Alm. Brand Liv og Pension carries out sensitivity analyses on the expected profit for the year and on the individual solvency need according to a selection of financial scenarios (combinations of a rise or fall in interest rates, decline in equities and a widening of the credit spread (OAS)).

The asset allocation of Alm. Brand Liv og Pension at 31 December 2016 was diversified across a number of asset classes. The risk tolerance is calculated relative to the total assets and allocated to each portfolio according to size. The risk tolerance can thus be measured regardless of the guarantees issued in each interest rate contribution group. This has the consequence that groups with large investment buffers will have more higher-risk assets than groups with low investment buffers, as the overall risk exposure for shareholders' equity must be identical.

Derivatives are used to adjust the interest rate risk of the individual contribution groups in order to achieve the desired risk profile between assets and liabilities for each interest rate contribution group.

The greatest interest risk arises in the event of a sudden and severe interest rate fall, giving the company no time to adjust its hedging activities. The duration of provisions increases with the decline in interest rates.

Equity exposure is only accepted on investment equities for policyholders' funds, and the exposure is accepted on the basis of a global investment universe. In addition, Alm. Brand Liv og Pension holds a limited number of unlisted equities, primarily in the form of strategic sector equities. These equities are held for the purpose of supporting the business activities.

Property exposure is accepted only for policyholders' funds. Most of the property investments are in owner-occupied properties, but in addition direct investments are made in office property.

The risk profile when buying and selling property is focused on obtaining a high degree of security and stable returns on a long-term horizon.

Alm. Brand Liv og Pension pursues a proactive currency strategy, which means that foreign equity and bond positions are not currency hedged unless deemed expedient.

Counterparty risks

Counterparty risk often arises due to a receivable in connection with a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account with a credit institution. Placement limits contain restrictions as to how large an exposure a company may have with specific credit institutions.

Alm. Brand Liv og Pension limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with its counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

Other risks

The greatest liquidity risk is the risk of a large number of customers wanting to move their pension savings at the same time. Should this materialise, the risk may be mitigated to a certain extent by introducing a transfer and surrender charge.

Banking

The bank's forward-looking activities offer products that meet private customer financial needs. Moreover, the bank has activities within leasing, bond, equity and currency trading as well as research (Financial Markets) and asset management (Asset Management). This is reflected in the types of risk accepted by the bank.

Credit risks

Credit risk is the risk of incurring a financial loss due to default on counterparties' payment obligations. Credit risk includes losses/impairment writedowns on loans, guarantees, derivatives, etc., concentration risk on customer types, exposure types, collateral types, etc., a general change in credit quality due to changes in legislation, economic conditions, market practices and conditions, etc.

The bank wishes to have a cautious risk profile and thus aims to always have optimum credit risk management in order to ensure a stable platform for the bank.

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED

The bank's future lending strategy is directed at private customers who are resident in Denmark. As a result, Alm. Brand Bank mainly grants loans to private customers, investment credit facilities in Financial Markets and leasing in the subsidiary Alm. Brand Leasing. The bank still holds mortgage deeds and credit exposures with commercial and agricultural customers as counterparties, but this part of the business will be phased out in the years ahead.

The bank does not wish to have any significant exposure to international activities.

Once a year, the bank's Board of Directors reviews and approves the credit policy and the associated guidelines describing the rules governing the bank's loan granting, provision of guarantees and other credit risks. In addition, the Board of Directors grants the largest exposures.

The bank has a policy of not establishing new exposures exceeding 10% of the bank's adjusted total capital. Based on the calculation of the supervisory diamond indicator for the sum of large exposures, the bank does not wish to have a sum of large exposures which exceeds 120% of its total capital. Excepted from this are exposures to the bank's subsidiary Alm. Brand Leasing and the other companies of the Alm. Brand Group.

All customers must be credit rated before being granted credit. The bank's credit rating of private customers seeking loans is based on a review of the customers' overall financial situation, including disposable amount, assets and level of debt. Secondly, the bank uses credit scoring models. The bank generally requires collateral from the customer in the form of mortgaging of the customer's assets.

Alm. Brand Bank's identification of risk concentrations in the credit portfolio serves as a credit risk management parameter. The bank's continued focus on private customers will reduce concentration risk both in relation to large exposures and property market exposures.

In the winding-up portfolio, loans are granted only for credit-defence purposes when this is deemed to minimise the bank's risk of loss.

Market risks

Market risk is the risk of fluctuations in the fair value of financial instruments as a result of changes in market prices. Alm. Brand Bank's market risks include interest rate risk,

currency risk, equity risk and other price risks. The Board of Directors aims for the market risks assumed by the bank to be calculated and reflect the bank's business strategy, risk profile and capital resources from time to time.

The bank regularly takes positions in the financial markets for the account of customers as well as for its own account. Active risk management is applied across the bank in order to balance out financial risks on assets and liabilities with the aim of achieving a satisfactory return that matches the bank's risk tolerance and applied capital.

The bank's risk management uses derivative financial instruments to adjust the market risk.

At least once annually, the Board of Directors determines the acceptable risk level of each individual market risk in the market risk policy. Specific limits for the bank's market risk are provided in the guidelines for the Management Board in the market risk area.

Interest rate risk is calculated as the loss on interest rate exposure due to a one percentage point parallel shift in the yield curve.

The banking group's daily currency risk is calculated and managed on the basis of the greater of the sum of receivables and the sum of payables denominated in foreign currency translated into Danish kroner.

The bank's trading portfolio consists of positions in listed Nordic equities and unit trust certificates held with a view to supporting the bank's markets and asset management functions. The bank's portfolio of equities outside the trading portfolio comprises equities taken over for credit-defence purposes. The portfolio also comprises sector equities intended to support the bank's operations.

The bank does not want to hold properties but has in recent years taken over single-family houses and rental property for credit-defence purposes. The exposure to properties is assessed to be limited relative to the bank's total assets.

The risk management function monitors the bank's market risks on a daily basis and reports to the Management Board and the Board of Directors on an ongoing basis. Any positions exceeding the Management Board's limits and powers are reported to the Board of Directors.

NOTE 50 CAPITAL AND RISK MANAGEMENT – CONTINUED**Liquidity**

The banking group aims to ensure that liquidity is at all times sufficient to support its future operations and comply with the statutory requirements, including the indicators of the Danish Financial Supervisory Authority's supervisory diamond. The bank determines its liquidity management on the basis of a conservative risk profile.

Compliance with the bank's liquidity target is ensured through the internally defined limits for the composition of funding, including funding sources and their repayment structure as well as requirements for the size of the bank's liquidity reserve. The bank manages and monitors its liquidity on a day-to-day basis based on short-term and long-term liquidity requirements. The bank's treasury department is responsible for the current reporting on the bank's liquidity position.

The bank must maintain an LCR of at least 120 percentage points. At 31 December 2016, Alm. Brand Bank's LCR was 312. At the beginning of 2018, the statutory requirement for the size of a fully phased-in LCR will be 100 percentage points, which Alm. Brand Bank already complies with.

The short-term liquidity management is intended to ensure that Alm. Brand Bank is at all times able to pay liabilities as they fall due and comply with the statutory requirements. This is ensured by means of fixed targets for the liquidity reserve and stress tests. Specifically, this is achieved by neutralising imminent liquidity effects, thereby maintaining liquidity within the limits defined by the Board of Directors, and by securing financial resources in the form of highly liquid securities, undrawn money market lines with major market players and a set-up for repo transactions.

The long-term liquidity management is intended to ensure that Alm. Brand Bank does not find itself in a situation where the cost of funding the bank's operations becomes disproportionately high. This is achieved by stress testing and focusing on the strategic funding structure. Deposits are the primary funding source. Consequently, the financial liabilities have a shorter average duration than the assets.

Other risks facing the group

The Alm. Brand Group's operational risks, i.e. costs associated with operational errors, are assessed on an ongoing basis. The group has a number of control procedures in the form of work routines, business procedures and reconciliation processes, performed locally and centrally throughout

the organisation. The extent of control measures is balanced against the expenses they involve. Security measures are assessed relative to potential threats and their assessed probability of occurrence as well as the potential business consequences, should such threats materialise.

Reputational risks are costs associated with having a poor public reputation, which affects the group's ability to maintain and develop its business volume. A reputation arises through media coverage of the group or incidents in relation to the group, for instance in news media and/or on social media. The group has drawn up media contingency plans to handle any incidents that could lead to unfavourable media coverage.

The group is making a proactive effort to reduce the number of potential events that could give rise to poor reputation. For example, a customer ambassador has been appointed in Alm. Brand Forsikring. The group wishes to reduce the number of complaints involving Alm. Brand Forsikring filed with the Insurance Complaints Board, and even though the insurance company has a track record of winning most of the complaints filed, every complaint is one too many because it means that the group has a dissatisfied customer. The customer ambassador looks at a complaint from a customer point of view and is responsible for ensuring that the customers' views are heard. This is done to promote a good dialogue between Alm. Brand and its customers. Often a disagreement arises because the customer has not been adequately informed about why his or her claim is not covered. The complaints are subsequently analysed, enabling the group to develop its insurance products and to become better at explaining its current insurance terms.

Strategic risks have an adverse effect on earnings or capital requirements. They arise due to inexpedient business decisions, insufficient implementation of business initiatives or slow response to the challenges facing the group.

Strategic risks cannot be avoided but they can be limited by maintaining high professional standards, openness and willingness to change in the organisation. Alm. Brand's strategy has been prepared by the group management on the basis of a structured process and in cooperation with each group subsidiary's Board of Directors, Management Board and managerial groups.

The group's risk profile and risk management are described in detail at almbrand.dk/risiko.

NOTE 51 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

The preparation of the financial statements involves the use of accounting estimates. Such estimates are made by the company's management in accordance with the accounting policies and on the basis of historical experience and assumptions, which management considers prudent and realistic but which are inherently uncertain and unpredictable.

The most significant estimates are related to the calculation of fair values of unlisted financial instruments, measurement of deferred tax assets and loans, advances and receivables as well as provision for losses on guarantees. In addition, significant estimates are involved in the valuation of mortgage deeds and liabilities under insurance contracts.

This note should be read in conjunction with [note 42](#), which contains information about the determination of fair value.

Financial instruments

Significant estimates are not used for the valuation of financial instruments where the valuation is based on prices quoted in an active market or on generally accepted valuation models employing observable market data.

Valuations of financial instruments that are only to a limited extent based on observable market data are subject to estimates. This applies for example to unlisted shares and certain bonds for which an active market does not exist. For securities that are not listed on a stock exchange, or for which no price is quoted that reflects the fair value of the instrument, the fair value is determined using a model calculation.

The valuation models include the discounting of the instrument cash flow using an appropriate market rate. The valuation of unlisted shares is based on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties.

The group holds a quite substantial portfolio of Danish mortgage bonds and is exposed to rising mortgage yields relative to the general yield curve.

Deferred tax

The full amount of the group's deferred tax assets is recognised in the balance sheet.

The amount of the deferred tax asset is assessed on the basis of expectations for the future earnings of the Alm. Brand Group. This assessment is based on projections of the group's results based on a best estimate of upcoming developments in the three business segments. The current tax asset is expected to be utilised within the next five years.

Valuation of mortgage deed portfolios

The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

Non-delinquent mortgage deeds are measured on the basis of the number of assumptions relating to required rate of return, expected credit losses and repayments – assumptions basically concerning what a mortgage deed could trade for between two independent parties. The model will revalue the mortgage deed if the mortgage deed coupon is higher than the discount rate. Such revaluation is sensitive to the model assumptions.

The repayment rates are updated on an ongoing basis to reflect the development in realised repayments.

Delinquent mortgage deeds are valued with due consideration for the risk of default and the loss incurred in the event of default. Any unsecured part is written down, and the amount depends, among other things, on how long the mortgage deed has been delinquent. However, the unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days. In the calculation of any unsecured part, the valuation of property values builds on a significant estimate, which is made on the basis of an individual external valuation for large properties and the official property valuation for other properties.

NOTE 51 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES – CONTINUED**Non-life Insurance**

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions on a number of variables.

The liabilities are furthermore affected by the discount rate.

The provisions for workers' compensation insurance are affected by several acts. Most recently, the Danish Social Pensions Act was amended in December 2015, whereby the state retirement age was raised from 67 to 68 years for people born on or after 1 January 1963. The Act also imposes a duty on the Minister for Social Affairs in 2020 to reassess whether the retirement age should be raised further. In addition, the Danish government's so-called "2025 plan" contains proposals which, if the plan is implemented, will move forward further increases in the retirement age.

Moreover, an expert committee has been set up to consider a revision of the Danish Act on Industrial Injuries, among other things prompted by the amended flex job rules. The expert committee has submitted its report, but it is still uncertain which recommendations will be implemented in the legislation. A process of revising the legislation is currently underway in with the involvement of e.g. the Danish Insurance Association.

According to the Danish Ministry of Employment, a new act will not form part of the government's legislative programme for 2016/17, and a bill proposing to revise the Danish Act on Industrial Injuries is not expected to be introduced in the current parliamentary year. At the earliest, the bill is expected to be ready in late 2017, but the effect on claims expenses from such legislative amendment, if adopted, is uncertain.

Alm. Brand has made an additional reserve in respect of the uncertainty deriving from these factors.

Life and Pension

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions about a number of variables. The liabilities are furthermore affected by the discount rate.

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative financial instruments to ensure that interest rate exposures on assets

and liabilities are aligned. 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 individual and collective bonus potentials. If, over time, the return generated is lower than the discount rate applied, the bonus potentials will be affected initially, and shareholders' equity may be affected subsequently.

Properties

In connection with the valuation of properties, a fair value is calculated on the basis of market-based rental income and operating expenses relative to the required rate of return of the individual properties. The valuation takes into account the type, location, state of repair, vacancy rate, etc. of the property.

Banking

In respect of individual impairment of loans, advances and other receivables and provision for losses on guarantees, significant estimates have been applied in quantifying the risk that not all future payments may be received, including estimates related to determining whether a customer should be marked for objective evidence of impairment. If it can be determined that not all future payments will be received, the determination of the amount of the expected payments, including realisation values of any collateral and expected dividend payments from estates, involves significant estimates.

Adverse and unforeseen economic developments may affect the payment ability of individual customers. For instance, major interest rate changes, failure to let premises and changes in settlement prices for agricultural products may affect the customers' ability to pay and the value of the collateral security on which the calculation of the bank's collateral security is based. In particular, lending for activities within financing of real property and agriculture may be adversely affected.

Collective impairment charges are made on the basis of a model developed by the Association of Local Banks in Denmark. If the model does not sufficiently take into account all matters regarding the bank's loan portfolio, it will be supplemented by a management estimate, including for macroeconomic factors that may adversely affect agriculture.

NOTE 51 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES – CONTINUED

In addition, changes are regularly made to the rules that form the basis of the calculation of impairment writedown and provisioning requirement in the bank. Changes that are subsequently introduced may trigger higher impairment writedowns on the bank's loans and provisions, regardless of the fact that no events would seem to have occurred in relation to the customers' ability to pay or collateral that would warrant such higher impairment writedowns/provisions.

Sensitivity information

We take various types of calculated risk in support of the long-term business objectives. The most important business risks and financial risks are listed in the table below.

The individual risks are described in note 50 Capital and risk management on pages [117 to 124](#).

Sensitivity information

| DKKm | Non-life | Banking | Life and Pension* | Other | Total | % of shareholders' equity |
|---|----------|---------|-------------------|-------|-------|---------------------------|
| <i>Sensitivity information, group</i> | | | | | | |
| Risk on shareholders' equity in case of specific events | | | | | | |
| Interest rate increase of 1 percentage point | -35 | -16 | -16 | -5 | -72 | -1.4% |
| Interest rate fall of 1 percentage point | -46 | -5 | 16 | 5 | -30 | -0.6% |
| Equity price fall of 15% | -29 | -34 | 0 | 0 | -63 | -1.2% |
| Fall in property prices of 15% | -2 | -1 | 0 | 0 | -3 | -0.1% |
| Currency risks excl. EUR, 25% decline | 0 | 22 | 0 | 0 | 22 | 0.4% |
| Spread widening of 1 percentage point | -273 | -122 | -22 | -1 | -418 | -8.0% |
| Catastrophe events: | | | | | | |
| - one "100-year event" | -98 | - | - | - | -98 | -1.9% |
| - two "100-year events" | -224 | - | - | - | -224 | -4.3% |

* Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to the life group's shareholders' equity do not include risks related to securities owned by the policyholders.

NOTE 52 ACCOUNTING POLICIES**General**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted 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 Reporting for insurance companies and multi-employer occupational pension funds. In addition, the consolidated 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.

The accounting policies applied in the preparation of the consolidated financial statements for 2016 are consistent with those applied in 2015, except for the changes described in the following section. Comparative figures for 2015 for the activities of Alm. Brand Forsikring A/S have been restated. Comparative figures for the health and personal accident activities of the subsidiary Alm. Brand Liv og Pension A/S have been restated. Comparative figures for 2015 for the life insurance activities of the subsidiary Alm. Brand Liv og Pension A/S have not been restated.

Certain items have been reclassified.

In order to provide a better overview and reduce the number of note disclosures, the amount and qualitative information of which are insignificant, certain disclosures have been omitted.

New financial reporting rules as per 1 January 2016

The Danish Financial Supervisory Authority has issued a new Executive Order on Financial Reporting of insurance companies and multi-employer occupational pension funds

applicable as from 1 January 2016. Apart from presentation changes, the new provisions also implied an amendment to the measurement of technical provisions and an introduction of new concepts such as risk margin and profit margin. Moreover, a new yield curve for the discounting of insurance liabilities was introduced. Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension A/S have obtained permission from the Danish Financial Supervisory Authority to use volatility adjustment, which is an additional allowance in relation to the yield curve from EIOPA that partly reduces liabilities and partly makes it easier to hedge yield curve fluctuations. For Alm. Brand Liv og Pension A/S, the amended rules imply that technical provisions relating to the life insurance business overall are presented as life insurance provisions and profit margin on life insurances, respectively. The transition to the new provisions, including the implementation of the new yield curve, has reduced the level of provisions for portfolios without bonus entitlement by DKK 6 million. Other than that, there were no changes in total technical provisions relating to the life insurance business.

Moreover, technical provisions relating to health and personal accident insurance are presented as premium provisions, profit margin on non-life insurance contracts, claims provisions and risk margin on non-life insurance contracts. As a result of the fact that premium provisions are only to be calculated for the period until the next possible premium adjustment date, and not as previously until the date of expiry, the transition to the new rules implied a reduction of provisions relating to health and personal accident insurance in the amount of DKK 59 million.

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

For Alm. Brand A/S as a whole, the implementation of the new Executive Order will cause shareholders' equity to decline by DKK 63 million.

Profit margin of Life and Pension

New accounting principles were adopted at the beginning of 2016, and Alm. Brand implemented the Solvency II concepts risk margin, profit margin, surrender and paid-up policy intensities and a new yield curve in the calculation of provisions. The effect of this was an increase in the buffers for the

NOTE 52 ACCOUNTING POLICIES – CONTINUED

high interest rate groups, partly because expected surrender and paid-up policy rewriting reduces provisions for guarantees, and partly as a result of a steeper yield curve. For the low guarantees, the individual bonus potentials were reduced, but at the same time it became possible to apply the premium bonus potential as an investment buffer, as a result of which the overall buffer level also increased for the low guarantees. The profit margin had an opposite effect, as expected future earnings were separated from the buffers, thereby reducing these.

There is an ongoing dialogue between the industry and the Danish Financial Supervisory Authority about the profit margin calculation approach. The dialogue concerns the correlation between the company's profit margin and bonus potentials. This is a significant area as the profit margin is included in total capital and thus affects the company's capital structure. As a result of Alm. Brand Liv og Pension's favourable buffer situation, these discussions have no impact on the size of the profit margin or life insurance provisions. Accordingly, the choice of method has no effect on the financial statements, but only affects the relationship between the individual and collective bonus potentials. The financial statements, including the income statement, the solvency statement and the balance sheet, will thus give a true and fair view irrespective of the outcome of the dialogue with the Danish Financial Supervisory Authority.

Standards and interpretations not yet in force

At the date of publication of these financial statements, a number of new or amended standards have not yet entered into force and/or been adopted for use in the EU and are therefore not included in these financial statements. Standards expected to have a material effect include IFRS 9, Financial Instruments, which concerns the accounting treatment of financial assets, including in relation to classification, measurement, impairment and hedge accounting.

IFRS 9 changes the classification of financial assets to the effect that classification depends on the entity's business model for managing the asset and the cash flows generated by the asset.

Following the implementation of IFRS 9, financial assets must be classified as belonging to one of the following four categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVTOCI) (liabilities)

- Fair value through other comprehensive income (FVTOCI) (equity instruments)

The majority of the provisions of IAS 39 on recognition and measurement of financial liabilities are unchanged in IFRS 9.

The derecognition provisions of IAS 39 are unchanged in IFRS 9.

Under the new expected credit loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk since initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). If the asset is considered to be impaired (stage 3), a loss allowance will also be recognised in an amount equivalent to the lifetime expected credit losses of the asset, but based on an increased probability of loss.

Development efforts are ongoing in the bank's data centre, Bankdata, with the participation of the affiliated member institutions and the Association of Local Banks in Denmark with a view to developing an impairment model which is compatible with IFRS 9.

At present, it is not possible to provide a reasonable estimate of the financial effect of the first-time adoption of the new IFRS 9-compatible impairment rules. However, the implementation is not expected to have a material effect on the bank's operations. Collective impairment charges under the applicable rules will cease to apply, and this will to some extent reduce the effect of IFRS 9. Moreover, the provisions on impairment in Annex 10 of the Danish Executive Order on Financial Reporting accelerate impairment losses, thus partially factoring in the effects of the new impairment rules.

An adverse effect on the financial statements of the new expected credit loss rules of IFRS 9 is generally expected to have a similar effect on the total capital. In order to prevent an unintended effect on total capital, the European Commission, as an element of the reform package presented by the Commission on 23 October 2016 (the capital requirements package), has proposed a five-year transition period so that an adverse effect of the new IFRS 9 impairment rules will not have full effect on total capital until after five years.

In continuation of the issuance of IFRS 9, changes have been made to IFRS 4 so as to make two options available: the so-called "overlay approach" and the so-called "deferral approach", allowing for optional deferral of the implementation

NOTE 52 ACCOUNTING POLICIES – CONTINUED

of IFRS 9 for entities whose predominant activity is insurance activities. No assessment has been made as to whether the options should be used.

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16, which replaces IAS 17, Leases, will only imply insignificant changes to the accounting treatment for lessors. For lessees, the accounting treatment will change significantly as all leases will generally be recognised in the balance sheet. IFRS 16, which has not yet been adopted by the EU, is effective from 1 January 2019. The effect of IFRS 16 has not been investigated in connection with the preparation of the annual report.

Management believes that, except for the implementation of IFRS 9 and IFRS 16, the implementation of new and amended standards will only have a minor impact on the annual report.

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. Inter-company income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

Properties owned by subsidiaries and used by the group are reclassified from investment property to owner-occupied property.

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. 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.

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

Foreign currency

Assets and liabilities denominated in foreign currency are recognised at the rates of exchange prevailing 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.

General recognition and measurement policies

Assets are recognised in the balance sheet when, due to a previous event, 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, due to a previous event, 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 in the income statement. 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.

NOTE 52 ACCOUNTING POLICIES – CONTINUED

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.

Balance sheet**Intangible assets****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.

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 fair value of land and buildings is assessed on an annual basis. An external appraiser may be engaged where necessary.

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 life of the properties, which is 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 through other comprehensive income and tied in 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 group's proportionate share of the company's net asset value at the balance sheet date, calculated according to the group's accounting policies.

NOTE 52 ACCOUNTING POLICIES – CONTINUED**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.

Other assets

Other assets comprise various receivables and prepayments. The item also comprises positive fair value of spot transactions and derivative financial instruments, operating equipment and assets taken over temporarily.

Forward transactions, futures, swaps, options and unsettled spot transactions are measured at fair value on initial and subsequent recognition. Positive and negative fair values of derivatives are recognised as Other assets or Other liabilities, respectively. Changes in the fair value of derivatives are recognised in the income statement.

The loss option issued by Alm. Brand Bank to cover credit losses on mortgage deeds in Alm. Brand Forsikring is measured using the credit model, which is also used for the measurement of the bank's other delinquent mortgage deeds.

Assets held temporarily comprises properties and cars only temporarily in the group's possession and awaiting sale within 12 months and where a sale is very probable. The item is measured at the lower of the carrying amount and the fair value less expected costs to sell.

Prepayments comprises expenses incurred prior to the balance sheet date but which relate to a subsequent accounting period.

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 life 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 |
| IT equipment | 3-5 years |

Cost comprises acquisition cost and directly attributable costs.

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.

Investment assets are measured at fair value on initial and subsequent recognition. The determination of fair value and the classification of value adjustments of financial instruments in the financial statements depend on whether the fair value can be reliably measured. Generally, the group's financial instruments form part of the trading portfolio, however, non-listed shares and parts of the portfolio of mortgage deeds designated at fair value.

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.

For the majority of the unlisted shares, 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. 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.

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.

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.

NOTE 52 ACCOUNTING POLICIES – CONTINUED

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. Measurement of securities is unchanged, and both 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

Derivatives are measured at fair value on initial recognition. Subsequently, derivatives are measured at fair value at the balance sheet date. Changes in fair value are recognised in the income statement as financial income or expenses.

Loans, advances and receivables, including mortgage deeds

Mortgage deeds are measured at fair value on initial and subsequent recognition. In the bank, mortgage deeds are included in Loans, advances and other receivables. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

Non-delinquent mortgage deeds are measured on the basis of the number of assumptions relating to required rate of return, expected credit losses and repayments – assumptions basically concerning what a mortgage deed could trade for between two independent parties. The model will revalue the mortgage deed if the mortgage deed coupon is higher than the discount rate. Such revaluation is sensitive to the model assumptions.

The repayment rates are updated on an ongoing basis to reflect the development in realised repayments.

Delinquent mortgage deeds are valued with due consideration for the risk of default and the loss incurred in the event of default. Any unsecured part is written down, and the amount depends, among other things, on how long the mortgage deed has been delinquent. However, the unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days. In the

calculation of any unsecured part, the valuation of property values builds on a significant estimate, which is made on the basis of an individual external valuation for large properties and the official property valuation for other properties.

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 evidence of impairment of the company's loans, advances and other receivables determined at amortised cost. If there is any objective evidence 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 if it is deemed that the debtor is able to make payments in addition to cash flows from the assets provided as collateral for the loan. However, a realisation principle is used if the debtor is not deemed to be able to make payments in addition to cash flows from the assets provided as collateral for the loan.

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.

NOTE 52 ACCOUNTING POLICIES – CONTINUED

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.

The model-based calculation of collective impairment charges is supplemented by a management estimate where management finds that there are factors which the model does not sufficiently take into account.

The management estimate hence reflects the effect of expectations for the development in credit risk in selected segments.

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 in the notes relating to shareholders' equity.

Treasury shares

Purchases and sales of treasury shares are recognised as a change in shareholders' equity under other reserves.

Share options

The share options are settled by means of treasury shares. When the options are exercised, the strike price received is taken to equity.

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.

Provisions for insurance contracts

All provisions are measured at their discounted value using a maturity-dependent discount rate including volatility adjustment for the duration in question. Alm. Brand uses a yield curve developed in-house according to the same principles and on the basis of data identical to the ones on which EIOPA's published discount rates is based.

Unearned premium provisions

Unearned premium provisions comprise the amounts provided at the end of the year against claims not yet incurred in respect of insurance contracts entered into. The provisions are measured as the present value of the best estimate of future claims at the balance sheet date for the part of the risk period not yet run off, including all direct and indirect administrative and claims-handling expenses. The premium provisions comprise all insurance contracts entered into and take into account all agreed premium rates, irrespective of whether they have fallen due for payment before the time of calculation. Newly written insurance contracts are recognised when an agreement has been concluded, whereas renewal of existing insurance contracts will be recognised when there is one month or less until the renewed contract enters into force.

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 and costs incurred in

NOTE 52 ACCOUNTING POLICIES – CONTINUED

managing insurance and claims handling. The market value expectations include a risk margin in accordance with the Solvency II principles. The insurance period for health and personal accident insurances is calculated until the next renewal date of the insurance. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected.

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.

Profit margin

Profit margin is the expected future earnings for the risk periods not yet run off for the insurance contracts which the company has entered into at the end of the year. The profit margin is measured as the present value of the accrued profit on profit-making contracts. The profit margin cannot be negative.

Measurement of the profit margin comprises all insurance contracts entered into. Newly written insurance contracts in Alm. Brand Forsikring A/S's portfolio will be recognised when an agreement has been concluded, whereas renewal of existing insurance contracts are recognised when there is one month or less until the renewed contract enters into force. Both newly written insurance contracts and renewal of existing insurance contracts in the health and personal accident portfolio of Alm. Brand Liv og Pension A/S are recognised as from the beginning of the risk period.

Risk margin

The risk margin comprises the amount which the company in a hypothetical situation is expected to have to pay to a third party to take over the risk that the realised future costs deviate from the estimated level stated under unearned premium and claims provisions at the end of the accounting period.

The risk margin is measured as the present value of the future cost of capital related to maintaining the solvency capital required for settlement of the company's current liabilities and risks.

The measurement is based on the company's solvency capital requirement and is consistent with the Solvency II

principles, as the future solvency capital requirements are approximated by the current solvency capital requirement written down proportionally by the remaining share of the expected cash flow for the unearned premium and claims provisions. The calculation of the cost of capital is based on the Cost-of-Capital rate of 6% under Solvency II. The risk margin development tracks the development in the company's solvency capital requirement.

Life insurance provisions

Life insurance provisions are measured at market value based on an expected cash flow discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA. The market value expectations include a risk margin in accordance with the Solvency II principles. The risk margin is a type of security, meaning that taking over the portfolio from a third party represents a value. A profit margin is also calculated, which represents the value of the future profit which the company is expected to be able to recognise as income from its pension business. 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, disability, surrender of insurance policies and cessation of premiums (paid-up policies). 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 and actual surrenders and premium cessations.

Life insurance provisions are divided into provisions for guaranteed benefits, individual bonus potential and collective bonus potential. 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

NOTE 52 ACCOUNTING POLICIES – CONTINUED

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 individual bonus potential comprises obligations to pay a bonus in relation to both expected not yet due premiums and premiums already due. The bonus potential is calculated as the value of policyholders' savings less provisions for guaranteed benefits, including expectations in relation to surrenders and paid-up policies. Whether the bonus potential 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 and against payment of claims incurred but not reported. The provisions are measured as the present value of the best estimate of these claims expenses at the balance sheet date. They are generally determined using statistical methods based on the aggregate historical development in payments and case reserves. The statistical methods are supplemented by best estimates of claims processors and claims assessors in the event of major claims. For workers' compensation, a separate model has been introduced which is mainly based on rulings and case officer assessments of individual claims. Moreover, provisions are made to cover expected delayed reporting of claims incurred and expected future reopening of claims. In addition to the statistical methods, an assessment is included of other factors affecting the necessary level of outstanding claims provisions, such as changes in legal practice, internal processes, inflation and singular, extreme claims.

The outstanding claims provisions also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to 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.

The cash flow regarding payment of provisions is estimated for all lines and discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA.

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provisioning models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation is calculated explicitly and 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 regarding 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 regarding health and personal accident insurance also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to 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. The provision calculated is increased by a risk margin in accordance with the Solvency II principles.

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.

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 payment 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.

NOTE 52 ACCOUNTING POLICIES – CONTINUED

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

On initial recognition, other financial liabilities are measured at fair value less transaction costs. 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 with counterparties which are not credit institutions or central banks and customers' receivable margins in connection with futures and option transactions if the customer is not a credit institution.

Payables to credit institutions and central banks

Payables to credit institutions and central banks are measured at amortised cost and comprise, among other things, obligations in connection with genuine sale and repurchase transactions with counterparties which are credit institutions or central banks and receivable margins in connection with futures and option transactions if the customer is a credit institution.

Income statement**Premium income**

Gross premiums comprise premiums due relating to insurance and contracts.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions, profit margin and the part of the risk margin attributable to unearned premium provisions, and less reinsurers' share. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to the bond maturity effect is transferred to interest expenses, etc. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable 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 group's principal activities is recognised under other income.

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. Also included is any change in the part of the risk margin attributable to claims provisions.

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 and risk margin which can be attributed to discounting is transferred to interest expenses, etc. The part of the change in

NOTE 52 ACCOUNTING POLICIES – CONTINUED

outstanding claims provisions and risk margin which can be attributed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Alm. Brand Forsikring A/S 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 evidence 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. The item also includes the discounting effect of insurance contracts.

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.

Current and deferred 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.

NOTE 52 ACCOUNTING POLICIES – CONTINUED

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

The business segments Non-life Insurance, Life Insurance, Banking and Other are the group's primary segments and they have been determined on the basis of the regulatory differences. No geographical segment information is provided as the group's activities are predominantly focused on the Danish market.

Non-life Insurance is divided into Private and Commercial. Private comprises the group's sales of insurances to private households through own sales channels and the group's health and personal accident activities, which for legal purposes are placed in Alm. Brand Liv og Pension. Commercial comprises the group's sales to agricultural and commercial customers through own sales channels and partnerships. The management reporting related to Private and Commercial consists exclusively of reporting of the technical result.

Banking is divided into Private, Leasing, Financial Markets, Other (collectively referred to as the forward-looking bank) and Winding-up Activities. The forward-looking activities form part of the bank's strategy and represent areas in which the bank wishes to expand its business volume. Winding-up Activities do not form part of the bank's strategy and represent an area in which the bank, in a responsible and financially appropriate manner, aims to reduce its exposure.

The segment information follows the group's internal reporting structure, reflecting a risk allocation on relevant business areas. Recognition and measurement in the segment reporting are in accordance with the group's accounting policies.

More detailed information about the individual segments 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 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

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

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

This 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*

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Balance sheet

| DKKkM | Note | Parent company | |
|--|------|----------------|--------------|
| | | 2016 | 2015 |
| Assets | | | |
| Investment in group enterprises | 1 | 4,956 | 5,089 |
| Total investments in group enterprises and associates | | 4,956 | 5,089 |
| Equity investments | | 1 | 1 |
| Bonds | | 436 | 297 |
| Other loans and advances | | 2 | 2 |
| Deposits with credit institutions | 2 | 17 | 22 |
| Cash in hand and balances at call | 3 | 16 | 0 |
| Total other financial investment assets | | 472 | 322 |
| Total investment assets | | 5,428 | 5,411 |
| Receiveables from group enterprises | | 13 | 10 |
| Other receiveables | 4 | 45 | 45 |
| Total receiveables | | 58 | 55 |
| Current tax assets | 5 | 18 | 15 |
| Total other assets | | 18 | 15 |
| Interest receivable | 6 | 4 | 0 |
| Total prepayments and accrued income | | 4 | 0 |
| Total assets | | 5,508 | 5,481 |
| Liabilities and equity | | | |
| Share capital | | 1,735 | 1,735 |
| Other provisions | | 1,215 | 1,215 |
| Proposed dividend | | 831 | 521 |
| Retained earnings | | 1,419 | 1,694 |
| Total shareholders' equity | 7 | 5,200 | 5,165 |
| Subordinated debt | | 250 | 250 |
| Total subordinated debt | 8 | 250 | 250 |
| Deferred tax liabilities | 9 | 29 | 27 |
| Total provisions | | 29 | 27 |
| Payables to group enterprises | | 15 | 24 |
| Issued bonds | | 0 | 5 |
| Other payables | | 14 | 10 |
| Total payables | | 29 | 39 |
| Total liabilities and equity | | 5,508 | 5,481 |
| Contingent liabilities, guarantees and lease agreements | 10 | | |
| Staff costs | 11 | | |
| Auditors' fees | 12 | | |
| Related parties | 13 | | |

Income and comprehensive income statement

| DKKm | Note | Parent company | |
|--|------|----------------|------------|
| | | 2016 | 2015 |
| Income statement | | | |
| Income from group enterprises | 14 | 873 | 566 |
| Interest income and dividends, etc. | 15 | 7 | 2 |
| Interest expenses | 16 | -13 | -13 |
| Value adjustments | 17 | -3 | -5 |
| Administrative expenses related to investment activities | 18 | -53 | -39 |
| Total return on investments | | 811 | 511 |
| Profit/loss before tax | | | |
| Tax | 19 | 15 | 13 |
| Profit/loss for the year | | 826 | 524 |
| Proposed allocation of profit/loss for the year: | | | |
| Proposed dividend | | 831 | 521 |
| Retained earnings | | -5 | 3 |
| Profit/loss for the year | | 826 | 524 |
| Comprehensive income | | | |
| Profit/loss for the year | | 826 | 524 |
| Total comprehensive income | | 826 | 524 |
| Proposed allocation: | | | |
| Proposed dividend | | 831 | 521 |
| Retained earnings | | -5 | 3 |
| Total comprehensive income | | 826 | 524 |
| Accounting policies | 20 | | |

Statement of changes in equity

| DKKm | Share capital | Other provisions | Retained earnings | Proposed dividend | Shareholders' equity |
|--|---------------|------------------|-------------------|-------------------|----------------------|
| Shareholders' equity at 1 January 2015 | 1,735 | 1,215 | 1,810 | 87 | 4,847 |
| Change in accounting policies | | | -62 | | -62 |
| Adjusted shareholders' equity at 1 January 2015 | 1,735 | 1,215 | 1,748 | 87 | 4,785 |
| Changes in shareholders' equity 2015: | | | | | |
| Profit/loss for the year | | | 524 | 0 | 524 |
| Comprehensive income | | | 524 | 0 | 524 |
| Proposed dividend | | | -521 | 521 | 0 |
| Dividende distributed | | | 2 | -87 | -85 |
| Share option scheme, issuance | | | 5 | | 5 |
| Share option scheme, exercise | | | 4 | | 4 |
| Purchase and sale of treasury shares | | | -68 | | -68 |
| Tax on changes recognised in equity | | | 0 | | 0 |
| Changes in shareholders' equity | | | -54 | 434 | 380 |
| Shareholders' equity at 31 December 2015 | 1,735 | 1,215 | 1,694 | 521 | 5,165 |
| Shareholders' equity at 1 January 2016 | 1,735 | 1,215 | 1,694 | 521 | 5,165 |
| Change in accounting policies | | | 5 | | 5 |
| Adjusted shareholders' equity at 1 January 2016 | 1,735 | 1,215 | 1,699 | 521 | 5,170 |
| Changes in shareholders' equity 2016: | | | | | |
| Profit/loss for the year | | | 826 | | 826 |
| Comprehensive income | | | 826 | | 826 |
| Proposed dividend | | | -831 | 831 | 0 |
| Dividende distributed | | | 21 | -521 | -500 |
| Share option scheme, issuance | | | 1 | | 1 |
| Share option scheme, exercise | | | 34 | | 34 |
| Purchase and sale of treasury shares | | | -321 | | -321 |
| Capital movements in subsidiaries | | | -10 | | -10 |
| Changes in shareholders' equity | | | -280 | 310 | 30 |
| Shareholders' equity at 31 December 2016 | 1,735 | 1,215 | 1,419 | 831 | 5,200 |

Notes

| DKKm | 2016 | 2015 |
|---|--------------|--------------|
| Note 1 Investment in group enterprises | | |
| Cost, beginning of year | 8,491 | 8,491 |
| Cost, year-end | 8,491 | 8,491 |
| Revaluation and impairment, beginning of year | -3,403 | -3,507 |
| Ændring i anvendt regnskabspraksis | 5 | -62 |
| Dividend received | -1,000 | -400 |
| Profit/loss for the year | 873 | 565 |
| Other movements in capital | -10 | 0 |
| Revaluation and impairment of treasury shares in subsidiaries | 0 | 1 |
| Revaluation and impairment, year-end | -3,535 | -3,403 |
| Investment in group enterprises, year-end | 4,956 | 5,088 |
| Specification of carrying amount: | | |
| Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned) | 1,521 | 1,495 |
| Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned) | 3,435 | 3,593 |
| Investment in group enterprises, year-end | 4,956 | 5,088 |
| Note 2 Deposits with credit institutions | | |
| Fixed-term deposits, external banks | 17 | 22 |
| Deposits with credit institutions, year-end | 17 | 22 |
| Note 3 Cash in hand and balances at call | | |
| Deposits held at call, Alm. Brand Bank | 15 | -1 |
| Escrow account, Alm. Brand Bank | 1 | 1 |
| Cash in hand and balances at call, year-end | 16 | 0 |
| Note 4 Other receivables | | |
| Rent deposit | 33 | 34 |
| Pensionskassen under alm. Brand A/S | 12 | 11 |
| Other receivables, year-end | 45 | 45 |
| Note 5 Current tax assets | | |
| Current tax assets, beginning of year | 15 | 43 |
| Tax paid in respect of prior years | -15 | -43 |
| Tax on profit/loss for the year | 18 | 15 |
| Current tax assets, year-end | 18 | 15 |

| DKKm | | 2016 | 2015 |
|--------------------------------------|-------------|----------|----------|
| Note 6 Interest receivable | 2016 | | |
| Bonds | | 4 | 0 |
| Interest receivable, year-end | | 4 | 0 |

| | | | |
|------------------------------------|--|--------------|--------------|
| Note 7 Shareholders' equity | | | |
| Share capital, beginning of year | | 1,735 | 1,735 |
| Share capital, year-end | | 1,735 | 1,735 |

The share capital consists of 173,500,000 shares of DKK 10 each and has been fully paid up.

| DKKm | 2016 | 2015 | 2014 | 2013 | 2012 |
|----------------------------------|-------|-------|-------|-------|-------|
| Share capital, beginning of year | 1,735 | 1,735 | 1,735 | 1,735 | 1,735 |
| Share capital, year end | 1,735 | 1,735 | 1,735 | 1,735 | 1,735 |

Reference is made to the statement of changes in equity.

| DKKm | 2016 | 2015 |
|---|-------|-------|
| Solvency | | |
| Tier 1 capital after deductions | 3,344 | 3,281 |
| Total capital after deductions | 3,356 | 3,041 |
| Weighted assets subject to market risk | 4,723 | 4,328 |
| Total weighted assets | 4,723 | 4,328 |
| Tier 1 capital after deductions as a percentage of total weighted items | 70.8% | 75.8% |
| Total capital ratio | 71.1% | 70.3% |

The total capital is calculated in accordance with the FICOD II rules.

No. of shares

| | | |
|---|---------|---------|
| Reconciliation of the no. of shares (1,000) | | |
| Issued shares, beginning of year | 173,500 | 173,500 |
| Treasury shares, beginning of year | -5,090 | -3,807 |
| No. of shares, beginning of year | 168,410 | 169,693 |
| Shares acquired/sold during the year | -4,941 | -1,283 |
| Issued shares, year-end | 173,500 | 173,500 |
| Treasury shares, year-end | -10,031 | -5,090 |
| No. of shares at year-end | 163,469 | 168,410 |

Treasury shares

| | | |
|------------------------------------|------|-----|
| Carrying amount, beginning of year | 0 | 0 |
| Value adjustment | -288 | -65 |
| Acquired during the year, net | 288 | 65 |
| Carrying amount, year-end | 0 | 0 |

| | | |
|----------------------------------|-----|----|
| Nominal value, beginning of year | 51 | 38 |
| Acquired during the year, net | 49 | 13 |
| Nominal value, year-end | 100 | 51 |

| | | |
|------------------------------------|--------|-------|
| Holding (1,000), beginning of year | 5,090 | 3,807 |
| Acquired during the year | 6,739 | 1,611 |
| Sold during the year | -1,798 | -328 |
| Holding (1,0000), year-end | 10,031 | 5,090 |

| | | |
|-----------------------------|------|------|
| Percentage of share capital | 5.8% | 2.9% |
|-----------------------------|------|------|

| DKKm | 2016 | 2015 |
|--|------------|------------|
| Note 8 Total subordinated debt | | |
| Floating rate bullet loans maturing 1 April 2024 | 250 | 250 |
| Subordinated debt, year-end | 250 | 250 |
| Interest on subordinated debt | 12 | 13 |
| Costs incurred in connection with the raising of the subordinated debt | 0 | 0 |
| The subordinate loan capital carries a floating rate of interest of 3M CIBOR plus 5.0 percentage points. The subordinated loan capital is eligible for recognition in full in the calculation of total capital. | | |
| Note 9 Deferred tax liabilities | | |
| Deferred tax liabilities, beginning of year | 27 | 25 |
| Prior-year tax adjustment | 0 | 0 |
| Change for the year | 2 | 2 |
| Deferred tax liabilities, year-end | 2 | 2 |
| Deferred tax on contingency funds in group enterprises | 40 | 40 |
| Deferred tax on equipment | -4 | -4 |
| Deferred tax on provisions | -1 | -1 |
| Deferred tax on losses carried forward | -6 | -8 |
| Deferred tax liabilities, year-end | 29 | 27 |
| Note 10 Contingent liabilities, guarantees and lease agreements | | |
| Guarantee commitments | 741 | 521 |
| 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) writtenthrough 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 (Winding-up pension fund). 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 264 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. | | |
| For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as administration company. As from 1 July 2012, the company is therefore jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends on behalf of the jointly taxed companies. | | |
| Note 11 Staff costs | | |
| Salaries and wages | 13 | 13 |
| Pension | 2 | 2 |
| Share-based payment | 1 | 1 |
| Miscellaneous staff costs | 7 | 0 |
| Total salaries and wages, pension, etc. | 16 | 16 |
| Average number of employees | 4 | 4 |

| DKKm | 2016 | 2016 | 2015 | 2015 |
|---|-----------------------|-------------------------|-----------------------|-------------------------|
| | Parent company | Alm. Brand Group | Parent company | Alm. Brand Group |
| <i>Remuneration to the Management Board and Board of Directors (DKK '000)</i> | | | | |
| Salaries and wages | 6,262 | 6,262 | 5,761 | 5,761 |
| Pension plans | 1,909 | 1,909 | 1,787 | 1,787 |
| Share-based payment | 567 | 567 | 799 | 799 |
| Total remuneration to the Management Board | 8,738 | 8,738 | 8,347 | 8,347 |
| Directors' fees | 3,545 | 4,745 | 3,546 | 4,747 |
| Total remuneration to the Management Board and Board of Directors | 12,283 | 13,483 | 11,893 | 13,094 |
| <i>Alm. Brand Group remuneration to the Board of Directors (DKK '000)</i> | | | | |
| Jørgen Hesselbjerg Mikkelsen (Chairman) | 670 | 980 | 670 | 980 |
| Jan Skytte Pedersen (Deputy Chairman) | 372 | 650 | 225 | 490 |
| Ebbe Castella | 250 | 410 | 250 | 410 |
| Henrik Christensen | 225 | 330 | 225 | 330 |
| Annette Eberhard (joined in 2015) | 330 | 570 | 224 | 386 |
| Per Viggo Hasling Frandsen | 225 | 303 | 225 | 250 |
| Karen Sofie Hansen-Hoeck | 250 | 250 | 250 | 250 |
| Boris Nørgaard Kjeldsen | 298 | 517 | 445 | 730 |
| Lars Christiansen (employee representative) | 225 | 250 | 225 | 250 |
| Brian Egested (employee representative, joined in 2014) | 225 | 250 | 225 | 250 |
| Helle Låsby Frederiksen (employee representative) | 225 | 250 | 225 | 250 |
| Susanne Larsen (employee representative) | 250 | 250 | 250 | 250 |
| Arne Nielsen (retired in 2015) | 0 | 0 | 107 | 185 |
| Total remuneration to the Board of Directors | 3,545 | 5,010 | 3,546 | 5,011 |
| No. of members of the Management Board | 1 | 0 | 1 | 0 |
| No. of members of the Board of Directors | 12 | 0 | 12 | 0 |

Remuneration to the members of the Management Board comprises remuneration to Chief Executive Officer Søren Boe Mortensen.

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 24 months' salary.

Effective from 1 July 2016, a share-based remuneration programme for 13% of the fixed salary was established for the senior management team of the Alm. Brand Group. The shares are granted free of charge twice annually (third trading day of June and December, respectively). The value is calculated as a simple average of the average price of one share in Alm. Brand quoted on the first trading day of each calendar month during the calendar months forming the basis of the individual share grant.

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 80 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually (Jan Skytte Pedersen DKK 27 thousand in 2016).

| DKKm | 2016 | 2015 |
|---|-------------|-------------|
| <i>Remuneration to risk takers (DKK '000)</i> | | |
| Fixed salary | 17,992 | 12,420 |
| Pension | 3,084 | 2,533 |
| Variable salary | 16 | 100 |
| Share-based payment | 782 | 997 |
| Total remuneration to risk takers | 21,874 | 16,050 |
| Number of risk takers | 9 | 9 |

Risk takers are those persons who, in accordance with the Danish Executive Order on remuneration policy and public disclosure of salaries, have a material influence on the company's risk profile.

In 2016 remuneration to risk takers includes salary etc. in connection with severance.

A one-off fee has been paid to risk takers, but no bonus has been disbursed.

| DKK m | 2016 | 2015 |
|-------|------|------|
|-------|------|------|

Share-based payment

A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

The share option scheme formed part of the fixed salary and could not exceed 13% of the net salary. The exercise price was calculated as a simple average of the market price of shares in Alm. Brand A/S quoted on the fifth, sixth and seventh trading day, respectively, after release of annual reports or half-year interim reports plus a 10% premium. In 2016, the share option programme was replaced by a share-based remuneration programme.

Note 12 Audit fees*Deloitte (DKK '000):*

| | | |
|-------------------------|--------------|--------------|
| Audit | 578 | 560 |
| Tax consultancy | 736 | 593 |
| Non-audit services | 195 | 304 |
| Total audit fees | 1,509 | 1,457 |

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 Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value.

Dividends of DKK 1,000 million were received from Alm. Brand Forsikring A/S in 2016. In 2015, the amount of dividends received from Alm. Brand Forsikring A/S was DKK 400 million.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S.

All agreements and transactions are made on an arm's length basis or, where there is no specific market, on a cost-recovery basis.

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Reinsurance cover for the Alm. Brand Group is taken out on a group-wide basis.

Note 14 Income from group enterprises

| | | |
|--|------------|------------|
| Alm. Brand Bank A/S | 36 | -249 |
| Alm. Brand Forsikring A/S | 837 | 814 |
| Total income from group enterprises | 873 | 565 |

The results are recognised in the following items:

| | | |
|--|------------|------------|
| Income from group enterprises | 873 | 565 |
| Total income from group enterprises | 873 | 565 |

Note 15 Interest income and dividends, etc.

| | | |
|--|----------|----------|
| Bonds | 7 | 2 |
| Total interest income and dividends, etc. | 7 | 2 |

| DKKm | 2016 | 2015 |
|---|------------|------------|
| Note 16 Interest expenses | | |
| Interest expenses, group enterprises | -13 | -13 |
| Other interest expenses | 0 | 0 |
| Total interest expenses | -13 | -13 |
| Note 17 Value adjustments | | |
| Bonds | -3 | -5 |
| Total value adjustments | -3 | -5 |
| Note 18 Administrative expenses related to investment activities | | |
| Cost, group enterprises | -1 | -1 |
| Other costs | -52 | -38 |
| Total administrative expenses related to investment activities | -53 | -39 |
| Note 19 Tax | | |
| Estimated tax on profit/loss for the year | 17 | 15 |
| Adjustment of deferred tax | -2 | -2 |
| Total tax | 15 | 13 |
| <i>Tax for the year consists of:</i> | | |
| Tax on accounting profit | 15 | 13 |
| Total tax | 15 | 13 |
| Effective tax rate | 1.8% | 2.5% |

Note 20 Accounting policies**Generally**

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.

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.

Apart from the description provided in the group's accounting policies on pages 128 to 139, the accounting policies are consistent with those applied in the 2015 Annual Report.

Financial ratios

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.

| | | |
|------------------------------------|---|---|
| Return on equity before tax | = | $\frac{\text{Profit before tax} \times 100}{\text{Average shareholders' equity}}$ |
| Return on equity after tax | = | $\frac{\text{Profit for the year} \times 100}{\text{Average shareholders' equity}}$ |

FINANCIAL RATIOS, ALM. BRAND A/S, PARENT COMPANY

In the determination of the average number of shares, any stock options and warrants are taken into consideration.

| | | |
|-----------------------------------|---|--|
| Net asset value per share | = | $\frac{\text{Shareholders' equity} \times 100}{\text{No. of shares at year-end}}$ |
| Earnings per share | = | $\frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$ |
| Diluted earnings per share | = | $\frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$ |
| 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 reporting for insurance companies and multi-employer occupational pension funds.

Gross premium income is regulated for bonus and premium discounts.

| | | |
|------------------------------|---|---|
| Gross claims ratio | = | $\frac{\text{Gross claims expenses} \times 100}{\text{Gross premium income}}$ |
| Gross expense ratio | = | $\frac{\text{Insurance operating expenses} \times 100}{\text{Gross premium income}}$ |
| Net reinsurance ratio | = | $\frac{\text{Profit/loss on reinsurance} \times 100}{\text{Gross premium income}}$ |
| Combined ratio | = | $\frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income}}$ |
| Operating ratio | = | $\frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income} + \text{Technical interest}}$ |

FINANCIAL RATIOS, LIFE AND PENSION

Key ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

FINANCIAL RATIOS, BANKING

Key ratios have been calculated in accordance with the Executive Order on financial reporting for credit institutions and investment companies, etc.

| | | |
|--------------------------------------|---|--|
| Interest margin | = | $\frac{\text{Interest income}}{\text{Avg. interest-bearing assets}} - \frac{\text{Interest expenses}}{\text{Avg. interest-bearing liabilities}}$ |
| Impairment ratio for the year | = | $\frac{\text{Impairment for the year} \times 100}{\text{Loans and advances} + \text{guarantees} + \text{impairment}}$ |
| Income/cost ratio | = | $\frac{\text{Income}}{\text{Costs}}$ |

Group companies

| DKKm | | | Profit/loss for the year | Shareholders' equity at year-end | Ownership interest |
|---|-------------------------|--|-----------------------------|--|-----------------------|
| Holding | | | | | |
| Alm. Brand A/S, Copenhagen | Holding | | 826 | 5,200 | 100% |
| Non-life Insurance | | | | | |
| Alm. Brand Forsikring A/S, Copenhagen | Insurance | | 837 | 3,435 | 100% |
| Life and Pension | | | | | |
| Forsikringselskabet Alm. Brand Liv og Pension A/S, Copenhagen | Insurance | | 99 | 940 | 100% |
| Alm. Brand Ejendomsinvest A/S, Copenhagen | Real property | | 158 | 1,535 | 100% |
| Banking and finance | | | | | |
| Alm. Brand Bank A/S, Copenhagen | Banking | | 36 | 1,521 | 100% |
| Alm. Brand Leasing A/S, Copenhagen | Car finance and leasing | | 15 | 140 | 100% |
| Other companies | | | | | |
| Alm. Brand Præmieservice A/S, Copenhagen | Financing | | 0 | 1 | 100% |

"Ownership interest" indicates Alm. Brand A/S's direct or indirect ownership interests.

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